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Daily Report

East Asia

**FBIS-EAS-95-150
Friday
4 August 1995**

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Daily Report

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Philippines Plays Down Spratlys Issue at ARF

BK0408060995 Manila BUSINESS WORLD
in English 2 Aug 95 p 12

[Report by Paul N. Villegas]

[FBIS Transcribed Text] Bandar Seri Begawan — In an effort to avoid escalating the friction between Manila and Beijing over the Mischief Reef issue, the Philippines yesterday opted to downplay the Mischief Reef incident at the 2nd ASEAN Regional Forum (ARF) here and merely raised the South China Sea question in general.

"We referred to it (the South China Sea issue). But right now the present mood is friendly and there are serious negotiations (ongoing)," Foreign Affairs Secretary Domingo Siazon yesterday said.

"We're having a senior officials bilateral meeting from August 8 to 12 in Manila. So unless provoked, there is no use trying to create an atmosphere of enmity (here in the ARF)," he added.

Manila and Beijing figured in a diplomatic tussle last February when Chinese military structures and naval vessels were spotted on Mischief Reef, a Philippine-claimed portion in the Spratlys Islands.

Mr. Siazon said a number of issues were also raised during the ARF meet, including French nuclear testing in the South Pacific and the evolution of the ARF into a dispute settlement mechanism.

During the meeting, he said China's Foreign Minister Qian Qichen mentioned the need for cooperation on the economic and political spheres among countries in the region.

"They (China) found the forum very useful. On the South China Sea question, they said they have accepted the principle of peaceful negotiations and nonmilitary conflicts. They are negotiating bilaterally with the different claimants. But they said non-claimants should not be involved in resolving the dispute," Mr. Siazon said.

China earlier insisted that it would only address the South China Sea question bilaterally with the other claimants. Recently, however, Beijing softened up on its stand and agreed to have the issue discussed in a multilateral fora like the ARF.

"China is prepared to discuss the South China Sea question within the context of ASEAN. At the same time we welcome the change in China's attitude to discuss territorial disputes not only based on historical claims but through international law and the UN Convention on the Law of the Sea (UNCLOS)," Mr. Siazon said.

He added that China's position now "opens the door to a possible political compromise."

China has signed the UNCLOS but has yet to ratify it.

Chinese foreign ministry spokesman Shen Guofang said all claimant countries must avoid complicating and expanding the South China Sea issue.

"China's proposal to shelve the dispute and pursue joint development is the most realistic and practical way for handling the Nansha [Spratlys] dispute. The area of the South China Sea is located at a strategic part for navigation and aviation. China attaches great importance on the safety and free passage of lanes in the South China Sea. There has never been any problem in this regard and we believe there won't be any in the future," he said.

U.S. Secretary of State Warren Christopher said maintaining freedom of navigation in the contested sea lanes is a "fundamental interest" of the United States.

"We urge all claimants in the South China Sea to solve their disputes through dialogue and we reiterate our willingness to assist in any way they deem helpful. We welcome China's statement that it will act in accordance with international law, including the (UNCLOS), in its efforts to resolve this dispute," Mr. Christopher said.

He said Washington will reinforce its treaty alliances with Japan, Korea, Australia, Thailand, and the Philippines, as well as its policy of engagement, to build a "sound architecture" for regional cooperation. The ARF is expected to play a major role in this.

He warned that the region, although free of conflict at the moment, could become unstable if the major players fail to prevent tensions from escalating further.

"While no major power views any other as an immediate military threat, there is a danger that old rivalries could be rekindled or new ones could develop," Mr. Christopher said.

He said the need to have a stronger U.S. military presence in the region has become important and vowed to maintain approximately 100,000 troops in the region, roughly the same level the United States will maintain in Europe.

During the ARF, Mr. Christopher raised the issue of North Korea's nuclear threat and urged the participants to support the Korean Peninsula Energy Development Organization, which is expected to play a key role in implementing the U.S.-North Korea agreed framework.

The participants in yesterday's ARF meet, except for the European Union, strongly objected to nuclear weapons

testing and called on France to halt its intended nuclear testing in Mururoa atoll in the South Pacific.

Secretary Siazon said the Philippines, in its capacity as chairman of the G-77, will mobilize international opinion in the United Nations to protest and call for a halt to all nuclear weapons testing.

Reportage on ASEAN, Dialogue Partners Talks Nuclear Issues 'Central Theme'

*BK0408025095 Bangkok BANGKOK POST
in English 3 Aug 95 p 8*

[Report by Saritdet Marukhathat from Bandar Seri Begawan]

[FBIS Transcribed Text] Nuclear issues emerged as a central theme in talks here yesterday between the Association of Southeast Asian Nations and its dialogue partners.

Australian Foreign Minister Gareth Evans said concerns on nuclear test activities have sparked a "lively debate" in yesterday's discussion in the Post Ministerial Conferences (PMC).

Indonesian Foreign Minister Ali Alatas said on a separate occasion that it was "quite an important talk" which ranked "very high" for Australia and New Zealand.

The forum brought seven ASEAN foreign ministers together with their counterparts from Australia, Canada, the European Union, Japan, New Zealand, South Korea and the United States.

They and five other ministers voiced strong support for the ASEAN Regional Forum chairman's statement on Tuesday urging a ban on nuclear tests and advocating a nuclear weapons free zone.

But the French presence at yesterday's meeting inspired participants, particularly Japan and Australia, to revive the issue to the floor to send direct messages to Paris, ASEAN diplomats said.

France did not join the ARF in which Spain represented the European Union in the security forum. However French Minister for European Affairs Michel Barnier took part in the EU talks with ASEAN.

China is another target and ASEAN foreign ministers said in their joint communique that the two countries should stop testing or attempts to test nuclear devices.

Originally the nuclear issue was not on yesterday's agenda but Australia, Japan and New Zealand were among nations to start the debate, an ASEAN official present in the meeting said.

The issue also came up in separate meetings between the organisation and Japan.

Mr Evans said in the PMC that Australia was "profoundly concerned" about the attempts of the two countries which would encourage the spread of nuclear weapons and block disarmament efforts.

Resumption of the tests would threaten work for a Comprehensive Test Ban Treaty which is entering a crucial stage in Geneva and ends next year, he told the forum.

"Nothing is more important in the international agenda over the next 12 months than putting in place the Comprehensive Test Ban Treaty which is genuinely comprehensive," the Australian minister said at a press conference after yesterday's sessions.

Japanese Foreign Minister Yohei Kono underscored the need for multilateral efforts to seek ultimate elimination of nuclear weapons.

Mr Kono put forth Japan's earnest requests for suspension of nuclear test activities. Japan, he said, is determined to complete negotiations on a comprehensive test ban treaty next year.

"In this connection, solving North Korea's nuclear weapons development issue is important not only to the security of the region, but also for strengthening the international regime of nuclear non-proliferation," he said.

There was a sense of acute disappointment among participants in yesterday's talks about the Chinese and French activities, Mr Evans said.

Australia is leading countries in the South Pacific in campaigns against Paris's decision to resume nuclear testing on Mururoa Island.

Canberra also opposed China's action of testing its fatal arsenal just a few days after countries decided to extend the Nuclear Non-Proliferation Treaty indefinitely, he said.

Mr Evans welcomed a call from the ARF for an immediate ban on nuclear testing in the region.

In the meeting between ASEAN and Japan, Mr Kono urged the end of testing and the elimination of nuclear weapons, and supported the test-ban treaty.

He gave an assurance that Tokyo would complete talks on the treaty on the nuclear test ban.

Mr Alatas said he was disappointed about the resumption of the test, because the Nonaligned Movement had already thrown its support behind an indefinite extension of the NPT.

French Official Addresses Testing

BK0408064795 Bangkok *THE NATION* in English
4 Aug 95 p A5

[Report by Kunlachada Chaiphiphat and Marisa Chimprapha]

[FBIS Transcribed Text] Bandar Seri Begawan — France called for countries with nuclear weapon capabilities to publish a list of the number of tests already conducted, as France has done recently, to show they were equally open on the issue, its deputy foreign minister said yesterday.

Michel Barnier insisted that France would conduct up to eight tests between September and May in the South Pacific, and that it was ready to discuss the reasoning with countries concerned about the issue.

France's intention to conduct the tests announced earlier in the year by President Jacques Chirac, have drawn strong protests from the international community, particularly Australia and New Zealand.

"Two days ago we released list of all the tests we have done. I think it would be excellent for other countries to release such information," Barnier said.

Barnier was attending a two-day meeting ASEAN had with its seven dialogue partners, and his country's intention to test nuclear weapons topped the discussions.

Indonesia's Foreign Minister Ali Alatas said Paris was betraying the Non-Proliferation Treaty it endorsed in New York in May.

France withdrew its ambassador from Australia over the barring of a French aviation firm bidding for a defence contract there as part of a number of protests by Australia over the testing.

Barnier said that he met Australian Foreign Minister Gareth Evans and explained the reasoning behind the testing, saying they had been planned for a long time and were the last to be done.

"However, I asked him what affect the testing would have on Australia. I could find nothing wrong with the tests as far as Australia was concerned," the deputy minister said.

He claimed that the test had to be implemented to ensure peace and stability in Europe and the Asia-Pacific, but when asked to reveal potential threats in the two regions, he said he had no crystal ball to foresee the future.

Asked why France was conducting the tests in the Pacific and not closer to home, Barnier said the site in French Polynesia was geologically the safest place

France could find and that tests had been conducted there before.

Asia-EU Summit Discussed

BK0408085795 Bangkok *THE NATION* in English
4 Aug 95 p A5

[Report by Kunlachada Chaiphiphat and Marisa Chimprapha]

[FBIS Transcribed Text] Bandar Seri Begawan — Thailand has proposed that next year's Asia Europe Meeting also focus on ways to increase European investment in Asian countries and not just on trade.

Foreign Minister M.R. Kasemsamson Kasemsi made the proposal on Tuesday during the Post Ministerial Conference [PMC] consultation of Asean foreign ministers with their European Union counterpart, European Council President Javier Solana, Spain's foreign minister.

Twenty-five Asian and European government leaders and one EU commissioner will attend the first meeting, to be held in Bangkok early next year. Kasemsamson said the meeting would be meaningful as there has been substantial discussion on increasing European investment.

According to the foreign minister, Europe has mostly focused on penetrating the Asian market. "This is not what we call substantial economic cooperation," he said.

The meeting will follow the format of the Asia Pacific Economic Cooperation's informal forum of government leaders and will not be institutionalized. The date and agenda of the meeting must still be decided.

Asean members have agreed on the countries to attend the first Asia Europe meeting: the seven Asean countries plus Japan, South Korea, China, 15 EU members and one EU commissioner.

Tokyo, however, strongly urged the inclusion of Australia and New Zealand in future meetings.

Japanese Foreign Minister Yohei Kono, at the end of the two-day PMC meeting yesterday, said Japan respected Asean's current selection of members as the grouping had initiated the meeting, but he hoped both countries would be included in the forum.

Kono urged Asean to select the members by consensus.

"I hope this method of decision making is applied to selecting the (Asean) members, and that in the end we will have both Australia and New Zealand," he said.

But Kasemsamoson said Asean did not have to seek further agreement on the members of Asem's first meeting since it is the host.

Australian Minister of Foreign Affairs and Trade Gareth Evans explained that although Australia may not share Asian culture or race, it has become a part of Asia by economic expansion and social integration.

"This (hemisphere) is where we live, and where we need to find security to insure our prosperity," said Evans.

On the back page of his speech at the opening of the PMC plenary session on Wednesday was a map showing the longitudinal division of the Asia Pacific region into western and eastern hemispheres.

The minister said there has been increasing acceptance between, and deeper integration of, Asians and Australians on the economic and "people to people" levels.

He said that the depiction of Australians and New Zealanders as the lone whites in southern Asia was disconcerting, and that the concept of the East Asian hemisphere needed further exploration.

New Zealand Foreign Minister Don McKinnon shared Evans' views, as did Indonesia's Foreign Minister Ali Alatas and Foreign Minister Kasemsamoson.

Foreign Minister Abdullah Ahmed Badawi of Malaysia, which is currently having bilateral problems with Australia, disagreed with Evans.

"Looking at the map, Australia is not part of Asia," Badawi said.

But he admitted that Australia has increasingly integrated with Asia in economic and social fields.

Highlights of ASEAN Meeting Outlined

BK0308092495 Hong Kong AFP in English
0912 GMT 3 Aug 95

[by Roberto Coloma]

[FBIS Transcribed Text] Bandar Seri Begawan, Aug 3 (AFP) — The Association of Southeast Asian Nations (ASEAN) Thursday concluded an annual meeting clouded by a stormy debate over the resumption of nuclear testing in the region.

The meeting began last weekend on an historic note that sounded the end of the Cold War in Southeast Asia — the admission of onetime adversary Vietnam as the former anti-communist alliance's seventh member.

This was followed by a call from host Brunei to complete the ASEAN Free Trade Area by 2000, three years ahead of schedule.

If plans push through, a 10-member ASEAN with half a billion people would constitute the world's biggest free-trade zone by the turn of the century.

ASEAN also includes Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Burma, Laos and Cambodia are following Vietnam's lead, and are expected to be admitted by 2000.

But talk of ASEAN expansion and greater prosperity quickly gave way to controversy over French and Chinese nuclear testing.

In public statements and, more passionately, behind closed doors, ASEAN members called on the two nuclear powers to observe a moratorium ahead of Comprehensive Test Ban Treaty expected to be forged in 1996.

But France, braving a united Asia-Pacific front against imminent tests at Mururoa atoll, refused to back down, saying it needed to strengthen its nuclear deterrent before such tests are totally banned.

"This is not going to change France's decision," French minister Michel Barnier told a news conference Thursday after meeting ASEAN ministers collectively and individually to plead his government's case.

China vowed to honor a test-ban treaty due for completion in 1996 and extended a conciliatory hand by vowing to follow international law in solving the Spratly islands dispute also involving four ASEAN members.

The ASEAN meeting in Brunei's capital also provided a neutral venue for the United States and China to ease bilateral tensions.

Secretary of State Warren Christopher and Foreign Minister Qian Qichen described their meeting on the

fringes of the ASEAN meeting as a step forward, and scheduled more bilateral meetings.

The last two days were spent in ASEAN dialogues with key Asian, North American and European partners, during which ASEAN members called for greater market access and warned against linking labor issues with trade.

At a final news conference Thursday, ASEAN members and Japan called for a continued US military engagement in Asia.

Japanese Foreign Minister Yohei Kono said the region now enjoys economic growth in part because of "mutual trust" generated by the ASEAN, whose annual meeting has become a central arena for regional diplomacy.

"The US presence in this region has been making contributions as well," Kono said, adding that he hoped that the results of Asian economic growth would be "very meaningful to world stability and peace."

Secretary of State Warren Christopher, who left Thursday to continue a Southeast Asian swing, had told ASEAN members that Washington will continue stationing 100,000 troops in Asia, at par with US force levels in Europe.

He called on rival claimants to the Spratly islands to work out a settlement and volunteered US assistance in the process.

Burma, which took a low profile during the ASEAN meeting, was lauded for the release of opposition leader Aung San Suu Kyi this month but came under pressure to take more steps to promote human rights and democracy.

Japan, Western nations and ASEAN members made it clear to the military junta in Rangoon that membership in ASEAN and resumption of foreign aid would depend on further reforms.

The ASEAN meeting also laid the groundwork for an unprecedented Asia-Europe Summit early next year in Bangkok.

Australia and New Zealand seethed over their exclusion from the summit because of Malaysia's objections, but were confident that they too would eventually be accepted as an integral part of Asia.

Japan, ASEAN Explore EAEC Membership**Japan Expresses Reservations**

BK0208150795 Kuala Lumpur THE STAR in English
2 Aug 95

[Received via Internet]

[FBIS Transcribed Text] Bandar Seri Begawan — Japan dropped a bombshell on Asean yesterday, hinting it would only join the East Asia Economic Caucus (EAEC) if all 18 Asia Pacific Economic Co-operation (Apec) forum members sanctioned its formation.

The Tokyo stand came just a day before Asean had planned to sit down with Japan to discuss its participation following the fresh consensus from Asean foreign ministers on Sunday to launch the caucus soonest.

Takeshi Nakane, Japan's foreign ministry international affairs division director, told a press conference yesterday that his country "firmly believes the EAEC should be launched with the blessings of all Apec countries."

"Any attempt to divide Apec countries should be avoided," he said, adding that Tokyo was still studying the idea of EAEC but its stand remained firm.

Foreign Minister Datuk Abdullah Ahmad Badawi, asked to respond to the Japanese stand, would only say that "Asean will take this issue up with Tokyo on a Seven Plus One basis today."

"We will see how it goes after that. We have an Asean consensus and we intend to meet Japan with that first," he added.

The Seven Plus One Asean-Japan meeting is slotted during a Post-Ministerial Conference luncheon at the International Convention Centre here.

Thai Foreign Minister Kasemsamson Kasemsi has been given the mandate by the seven Asean foreign ministers to raise the EAEC issue with Tokyo's Yohei Kono.

A Malaysian delegate said Kasem would brief Kono on the reaffirmation of Asean ministers' commitment and consensus to launch the EAEC and would seek to get a firm answer from Tokyo on its stand.

He added that Asean wanted to clear all hurdles on EAEC before the Bangkok summit in December.

Meanwhile, sources said Tokyo had informally notified Asean partners that it would only attend the Asean Seven Plus Three (Tokyo, Seoul, Beijing) informal meetings at foreign ministers' level.

They said Tokyo had reservations about attending a similar informal meeting at economic ministerial level

since Asean had taken a stand earlier that the EAEC would be AEM [ASEAN Economic Minister]-driven.

Malaysia Disappointed With Japan

BK0308160795 Kuala Lumpur RTM Television
Network 1 in Malay 1200 GMT 3 Aug 95

[FBIS Translated Text] Malaysia has expressed regret over Japan's vacillating attitude in connection with its participation in the East Asia Economic Caucus, EAEC.

Responding to journalists at the end the ASEAN meeting with its dialogue partners in Bandar Seri Begawan, Foreign Minister Datuk Abdullah Haji Ahmad Badawi said it seems that Tokyo is looking for a new excuse not to join the EAEC.

[Begin Abdullah recording in English in progress] ... From another point of view that they seem to be coming out with more additional reasons as to why they are at the moment not yet ready to join the EAEC, that I am surprised and a little bit disappointed. They seem to be shifting goals. [end recording]

Japan's new reasoning is to include Australia and New Zealand in the EAEC and expects to get cooperation agreement from the Asia-Pacific Economic Cooperation. Japanese Foreign Minister Yohei Kono claims that he does not want the caucus to create divisions in APEC.

Earlier, Japan was willing to consider about its membership in the EAEC if ASEAN was united in creating the caucus.

ASEAN has unanimously agreed on the formation of the EAEC at its meeting in Singapore two years ago.

Japan Questions Exclusions

BK0308134795 Bangkok BANGKOK POST
in English 3 Aug 95 p 8

[Report by Phanrawi Tansuphaphon from Bandar Seri Begawan]

[FBIS Transcribed Text] The Association of Southeast Asian Nations has once again failed to convince Japan to join the East Asian Economic Caucus [EAEC], an Asian-only club initiated by Malaysia and now taken up as an ASEAN brainchild.

Japan needs to be more convinced as to why Australia and New Zealand should be excluded from the EAEC, which ASEAN describes as a consultative body within the larger Asia-Pacific Economic Cooperation (APEC).

Japanese Foreign Minister Yohei Kono discussed the issue with his Thai counterpart M.R. Kasemsamson Kasemsi at a working lunch yesterday. Thailand represented ASEAN in a dialogue session with Japan.

M.R. Kasemsamoson said some misunderstandings need to be addressed, and both sides (Japan and ASEAN) agreed to pursue the exercise to clarify those misunderstandings.

The US objects to the EAEC saying that it reeks of protectionism. Japan, whom ASEAN wants to have as a weight in the club, is therefore reluctant to offend the US.

Thai Permanent Secretary M.R. Thep Thewakun said Japan remained suspicious over whether the exclusion of Australia and New Zealand is indeed an ASEAN consensus.

We explained to Japan that ASEAN has jointly issued a statement on the EAEC, and therefore it's an ASEAN consensus," said the permanent secretary.

Mr Kono was quoted as querying why ASEAN would want to set up the EAEC while APEC is already a good organisation.

"The EAEC will duplicate APEC's economic policy," Mr Kono told his Thai counterpart.

Japan wanted a stronger justification for the exclusion of Australia and New Zealand from EAEC, and this could bring about ASEAN to "change conditions" to accommodate these two countries, according to an ASEAN source.

Foreign Ministry spokesman Suwit Simasakun said the EAEC issue did not emerge during the meeting between seven ASEAN countries and Japan yesterday afternoon.

M.R. Kasemsamoson said in the speech that ASEAN-Japan relations continued to be "strong and vibrant", contributing to the peace, prosperity and economic development of the Southeast Asian region as a whole.

Pacific Forum Chief Invited To Visit Mururoa

*LD0108105495 Melbourne Radio Australia
in English 0900 GMT 1 Aug 95*

[FBIS Transcribed Text] French Polynesian [Territorial Assembly] President Gaston Flosse has met Jeremia Tabai, the secretary general of the South Pacific Forum, in Suva, Fiji. The Forum's annual meeting is due next month and some of its members are demanding that France be stripped of its status as a dialogue partner because of plans to continue nuclear testing. A Fiji Radio report quoted Mr. Tabai as saying that Mr. Flosse

had invited him to visit the Mururoa test site. He was reported to have declined the invitation, saying it would be more appropriate for a team of scientists to visit the atoll. No details of the talks between the two men are available, but Mr. Tabai said he would issue a statement on the discussions soon.

Pacific Forum Examines French Nuclear Issue

France's Status Debated

*LD0308100695 Melbourne Radio Australia
in English 0800 GMT 3 Aug 95*

[FBIS Transcribed Text] South Pacific Forum countries are discussing whether to end France's status as a dialogue partner because of its decision to resume nuclear testing. The Forum's deputy secretary general, David Blackstock, said in Suva that the consultations had been initiated by Australia, which is current chairman of the 15-nation grouping.

Mr. Blackstock said a key role in the exchange of views is being played by Papua New Guinea, which will take over from Australia at the Forum's annual meeting to be held in Madang on 14 and 15 September. Dialogue sessions between Forum members and dialogue countries are to be held in Port Moresby on 17 and 18 September.

Mr. Blackstock said a decision on France's status as a dialogue partner is expected by tomorrow. He said an announcement would most likely be made by Australia after talks with France. The deputy secretary general added that there were some differences among Forum countries on the nuclear testing issue but it was hoped that a consensus would be reached.

Dialogue Partner Status Retained

*LD0408105395 Melbourne Radio Australia
in English 0700 GMT 4 Aug 95*

[FBIS Transcribed Text] The South Pacific Forum has decided to maintain France's status as a dialogue partner with the 15-nation grouping despite its decision to resume nuclear testing. The Forum Secretary General Jeremia Tabai said the decision to keep France as a dialogue partner was made when member countries failed to reach a consensus on the issue. Speaking in Suva he said France would be invited to the post-Forum dialogue session in the Papua New Guinea capital Port Moresby in September.

Japan

Kamei Seeks Overall Review of Aviation Treaty

OW0408091895 Tokyo SANKEI SHIMBUN
in Japanese 3 Aug 95 Morning Edition p 9

[FBIS Translated Text] Transport Minister Shizuka Kamei on 2 August delivered a speech to the Foreign Correspondent's Club of Japan in Yuraku-cho, Tokyo. Touching on the forthcoming September negotiations on a review of the Japan-U.S. aviation treaty in regard to the cargo services section, Kamei stated that after an accord is reached on that section in March 1996, the deadline for the negotiations, the government "hopes to achieve a comprehensive review of the treaty, including the passenger flight section." He thus showed a determination to achieve review of the treaty.

Air Cargo Freight Liberalization Considered

OW0408014995 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 3 Aug 95 Morning Edition p 5

[FBIS Translated Text] The Ministry of Transport [MOT] has begun studying the possibility of proposing liberalization of air cargo freight between the two countries, in negotiations on amending the Japan-U.S. aviation agreement. Currently, air cargo arrangements between Japan and the United States cannot be changed without approval by the Japanese and U.S. Governments. MOT will examine a formula under which the current air cargo freight arrangements of both Japanese and U.S. carriers could be liberalized if either of the two governments approves. MOT decided to propose liberalization of air cargo freight after concluding that no difference in competitiveness exists between Japanese and U.S. airlines in the air cargo field. MOT plans to create a freer framework for both air routes and number of flights.

Speaking at the Association of Foreign Correspondents in Japan in Tokyo on 2 August, MOT Minister Shizuka Kamei touched on the Japan-U.S. negotiations on amending the aviation agreement. He explained a basic plan to seek equality of opportunity and liberalization of air cargo freight between Japanese and U.S. carriers.

Kamei pointed out, "It is necessary to liberalize at least air freight." He went on to say, "Japan does not object to liberalizing air freight in line with the U.S. open sky policy, but at issue is how to secure practical equality of opportunity between a developed nation and a developing nation (in the aviation field)."

As for the timetable for negotiations on revising the aviation agreement, the minister disclosed that the United States had proposed holding negotiations in Tokyo beginning 29 September.

At the aviation talks held in late July, MOT Minister Kamei and U.S. Transportation Secretary Federico Pena agreed to begin negotiations in September. MOT is very likely to accept the U.S. proposal for beginning on 29 September. Both Japan and the United States will formally decide on when to start the negotiations after coordinating their opinions. Officials from the two countries at the division chief level will attend the negotiations.

Mori, Hubbard Meet on FY96 Defense Budget

OW0308113295 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 2 Aug 95 Evening Edition p 2

[FBIS Translated Text] Yoshiro Mori, secretary general of the ruling Liberal Democratic Party, met with U.S. Deputy Assistant Secretary of State Thomas Hubbard at the party headquarters in Tokyo on the morning of 2 August. During the meeting, Hubbard expressed concern over a demand by the ruling Social Democratic Party of Japan [SDPJ] for a sharp cut in the defense budget for fiscal 1996, saying, "The U.S. Government is worried about the Japanese Government's handling of the defense budget." In response, Mori said: "The SDPJ is repeatedly stressing the importance of disarmament. But I believe that keeping the Japan-U.S. Security Treaty in place is the best way to promote the disarmament."

Hayashi on Clinton's Nov Visit, Other Issues

OW0408104295 Tokyo KYODO in English
1020 GMT 4 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — Japan will make an all-out effort to persuade France to withdraw its decision to resume nuclear testing in the South Pacific, newly appointed vice Foreign Minister Sadayuki Hayashi said Friday [4 August].

In an interview on his first day in the new posting, Hayashi repeated Japan's stance that it will seek a halt to the planned French nuclear testing, both bilaterally and by submitting a resolution to the United Nations urging a ban on all nuclear tests.

"But it is also necessary to take into account that this problem should not harm friendly bilateral relations," he said, adding the government does not support moves such as the boycotting of French products.

Hayashi refused, however, to say what kind of action Japan will take if France goes ahead with a series of nuclear experiments from September through May.

Touching on relations with the United States, Hayashi, formerly deputy foreign minister for economic affairs, said the bilateral trade "framework" talks focused too

much on frictions between the two countries and called for creating opportunities to discuss global economic and trade problems.

He also said the planned visit to Japan by U.S. President Bill Clinton for the informal summit meeting of the Asia-Pacific economic cooperation (APEC) forum in November in Osaka will be an important "turning point" for the bilateral ties.

On other topics, Hayashi said he wants to resume as early as possible negotiations with North Korea to normalize bilateral diplomatic relations but that Tokyo is currently waiting for Pyongyang's reply to Japan's suggestions on the timing and venue of the talks.

Turning to the postponed implementation of yen loans to Iran, Hayashi said Japan is studying the timing of the disbursement of the aid in relation to the progress of the first stage of the project to construct a hydroelectric power station in southwestern Iran.

Japan provided 38.6 billion yen in May 1993 as the first installment to finance the project, lifting an 18-year freeze on official yen loans to Iran.

The second installment of 45 billion yen was expected last summer. But Japan delayed a decision on the loan after U.S. Government officials repeatedly pressed Japan to halt its implementation, citing suspicions that Iran was involved in a number of terrorist incidents.

Hayashi succeeded Kunihiro Saito in the top bureaucratic post.

Firm To Sell U.S. Cars at Discounted Prices

OW0308134995 Tokyo KYODO in English
1333 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Pasona Inc., a temporary staffing service company in Tokyo, announced plans Thursday [3 August] to start discount sales of U.S.-made cars with catalogs through a subsidiary.

Pasona said it will establish the subsidiary, Collezi Auto Inc., with a capital of 50 million yen Wednesday to start selling 10 of the 1995 General Motors and Chrysler models at prices 20-30 percent lower than prices charged by official distributors.

The GM Cadillac El Dorado Touring Coupe, for example, will sell for 4.89 million yen, 1.90 million yen lower than the list price of 6.79 million yen, Pasona said.

The new company will import the cars directly from U.S. dealers on receiving orders from customers and will have no showrooms or inventories in Japan, Pasona said.

It will seek to sell 1,000 cars in the initial year, Pasona said.

Murayama To Seek Termination of Nuclear Tests

OW0408085795 Tokyo KYODO in English
0845 GMT 4 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — The two chambers of the Japanese parliament separately adopted resolutions opposing nuclear weapons tests Friday [4 August], criticizing China and France by name.

The passage of the resolutions came at the start of a five-day extraordinary session of the Japanese legislature, or Diet, which started with an opening speech by House of Representatives Speaker Takako Doi and a ceremonial speech by Emperor Akihito.

The resolutions passed by the House of Representatives and the House of Councillors reiterate opposition by Japan, the only country in the world to have suffered atomic bombing, to all nuclear tests.

"The recent Chinese underground nuclear test and the subsequent decision by France to resume its nuclear testing are actions which would destroy the earth's environment and ecology, and could even threaten the existence of human life, whatever reasons might be given and whatever conditions might be attached," say the resolutions, almost identical in wording.

Following the passage, Prime Minister Tomiichi Murayama told a lower house meeting that his government would make further efforts to seek termination of all nuclear tests, an early agreement on a comprehensive test ban treaty and the eventual eradication of nuclear weapons from the earth.

It was the first time the Diet has adopted such a resolution since one 21 years ago opposing India's underground nuclear testing.

The resolutions differ slightly in their reference to the nuclear Nonproliferation Treaty (NPT), with the lower house version saying nuclear testing by China and France undermines confidence in the treaty.

The upper house version, also endorsed by the Japanese Communist Party (JCP) which opposes the NPT, says in the relevant passage that the two countries' nuclear tests run counter to the international community's calls for self-restraint in testing by the five declared nuclear powers.

Before acting on its version of the resolutions, a plenary session of the House of Councillors elected the Liberal Democratic Party's Juro Saito, 55, as president of the

upper house and Kampei Matsuo, 68, a member of Heisei-Kai led by the main opposition party Shinshinto (New Frontier Party), as vice president.

Saito is the youngest parliamentarian to serve as head of either house since the end of World War II.

Murayama's Social Democratic Party, which suffered heavy losses in the July 23 upper house election, forfeited the post of vice president it had held since 1977.

Opposition and governing parties had disagreed over the duration of the extraordinary Diet session, but the coalition mustered a sufficient majority in both chambers for a vote in favor of its proposal for a five-day sitting.

Shinshinto and the JCP, which had wanted a policy speech by the prime minister and a question session put on the agenda, had demanded a longer session.

Tokyo Not To Recall Envoy to France

OW0408091595 Tokyo TOKYO SHIMBUN
in Japanese 3 Aug 95 Morning Edition p 2

[FBIS Translated Text] The Ministry of Foreign Affairs [MOFA] has firmed up a plan to deal with France's resumption of nuclear tests. Under the plan, MOFA will not recall Japanese Ambassador to France Koichiro Matsuura and lodge a protest with France whenever that country conducts the nuclear test. For the time being, MOFA will focus its efforts to get a Japanese-submitted resolution calling for a ban on nuclear tests to pass unanimously at the UN General Assembly this autumn.

MOFA has decided not to recall the Japanese ambassador after concluding that the possibility of France stopping its planned nuclear tests is nil even if Japan recalls its ambassador, since France has decided to resume the nuclear tests to increase the credibility and efficiency of its nuclear deterrent, and Japan's recall of its ambassador would damage Japan-Franco political and economic relations.

Finance Minister Takemura has expressed his intention to participate in a plan announced by members of the New South Wales State Parliament in Australia to send a protest ship to a French nuclear testing site. The MOFA is puzzled by his intention. According to a MOFA source, on 2 August Deputy Prime Minister and Foreign Minister Yohei Kono cautioned the finance minister against his plan to board the nuclear-protest ship.

Igarashi Comments on Takemura's Nuclear Protest

OW0208145395 Tokyo ASAHI SHIMBUN NEWS
CONFERENCE REPORT in Japanese
0403 GMT 2 Aug 95

[News conference by Chief Cabinet Secretary Kozo Igarashi with unidentified domestic reporters at the Prime Minister's Official Residence in Tokyo on the morning of 2 August]

[FBIS Translated Excerpt] [Passage omitted] It has been reported that Finance Minister Takemura will board an Australian nuclear-protest ship. Have you heard that report?

[Igarashi] Yes, I have heard the report, but I have not heard directly from the finance minister about his boarding the ship. I believe the report simply reflects a politician's view. I believe that, given the situation in the cabinet and other circumstances, he will deal cautiously with boarding the ship. [passage omitted]

Kono Explains Forming East Asia Caucus

OW0408085995 Tokyo SANKEI SHIMBUN
in Japanese 3 Aug 95 Morning Edition p 2

[By Keiichi Ozawa]

[FBIS Translated Text] Bandar Seri Begawan, 2 Aug — Yohei Kono, deputy prime minister and concurrently foreign minister, held a meeting with Thai Foreign Minister M.R. Kasemsamoson Kasemsi at Bandar Seri Begawan on the afternoon of 2 August.

Regarding the concept of forming the "East Asia Economic Caucus," which Malaysian Prime Minister Mahathir advocates, Foreign Minister Kono said: "We cannot take a step which may hurt the Asia-Pacific Economic Cooperation (APEC) council." In this way, he showed a negative stance because the concept excludes the United States and Australia.

In response, Foreign Minister Kasemsamoson made a counter argument, saying: "The EAEC is not meant to split APEC, but to make up for its inadequacies."

Mexico's Blanco: Tokyo Welcomes Trade Proposal

PA0308041495 Mexico City NOTIMEX in Spanish
1333 GMT 1 Aug 95

[By Gina Sandoval]

[FBIS Translated Text] Tokyo, 1 Aug (NOTIMEX) — Herminio Blanco, Mexican secretary of commerce and industrial development, stated today that his proposals to increase commercial ties with Japan have been welcomed by both Japanese businessmen and officials.

"I have perceived a climate of optimism and trust, as well as a great interest to participate in the process to privatize such sectors as railroads, ports, and petrochemicals," Blanco noted on the second day of his three-day visit to Japan.

Blanco remarked that Japanese International Trade and Industry Minister Ryutaro Hashimoto, with whom he met yesterday, voiced a "tremendous interest" in new ways to promote bilateral commercial ties.

"The talks with Hashimoto focused on the program to support small and midsize businessmen, as well as closer ties between government officials and business leaders," Blanco told NOTIMEX.

Blanco added that Japan and Mexico are negotiating "the institutionalization of annual meetings between the Japanese international trade and industry minister and the Mexican commerce secretary."

Until September 1992, the meetings were only held at the level of the directors general. After that date, the two countries agreed to create a work group between their trade ministries that would meet every year to discuss and make recommendations. These meetings would alternate between the two countries.

According to Blanco, the objective of the annual meetings at the ministerial level would be to assess, at the highest level, concrete results and ways to increase the bilateral commercial flow, in addition to promoting Japanese investments in Mexico.

Up to 1994, bilateral trade amounted to approximately \$5.45 billion, with a total of \$1.29 billion in Mexican exports and \$4.16 billion in Japanese exports. These figures represent a deficit of more than \$2.8 billion for Mexico.

Concerning his visit to Tokyo, the first one he has made since he took office, Blanco said he has told Japanese officials and businessmen about Mexico's economic and commercial opening achievements, as well as details of the National Development Plan, projects, and prospects.

He stressed that Japanese businessmen have stated their great interest in the sectors Mexico is opening up to private investors such as the market of auto parts, petrochemicals, electric energy, ports, and railroads.

According to figures provided by the Japanese Government, there were 249 Japanese companies in Mexico up to June 1993. Most of these companies were concentrated in the manufacturing sector, particularly, the manufacturing of machinery.

As for relations between Mexican and Japanese businessmen, he remarked that they should be characterized by opportunities for the two sides to learn from mutual

experiences, the reason why Mexico and Japan are promoting more exchanges and mutual visits by investors.

He also mentioned the upcoming visit by Mexican President Ernesto Zedillo to Japan in November to attend the Asia-Pacific Economic Cooperation (APEC) summit.

He explained that Mexico is preparing to send a ministerial delegation to Australia in October to review the details of the agenda of the summit, which will be held in Osaka. The creation of a free trade zone in Asia and the Pacific area for the next century is expected to be part of the agenda.

Blanco left tonight by bullet train from Tokyo to the city of Osaka, 450 km west of this capital. Tomorrow, Blanco will give a news conference to businessmen organized by the Japanese Chamber of Commerce and Industry (OCCI) in Osaka.

At noon, he will attend a dinner with the presidents of Osaka's leading companies and business associations, including the representatives of Matsushita Electric Co., Daiwa Research Institute, Sharp Corp., and Sanyo Electric Co.

Later, he will leave for Seoul, the capital of South Korea, where he has planned to arrive on Wednesday afternoon in the second and last phase of his Asian tour.

Tokyo, ASEAN To Join in Building Market Economy

*OW0408125795 Tokyo KYODO in English
1218 GMT 4 Aug 95*

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — Japan, Indochina and Southeast Asian nations agreed Friday [4 August] to expand their cooperation in building market economies and improving vocational training, Ministry of International Trade and Industry (MITI) officials said.

The seven-point agreement was reached at a working-level meeting held at the ministry by representatives from Japan, three Indochina countries of Vietnam, Laos and Cambodia, and Myanmar [Burma] as well as from the Association of Southeast Asian Nations (ASEAN), they said.

The agreement covers cooperation in setting up laws and accounting regulations to encourage the shift of the economic systems of the countries concerned to market economies, helping with management analysis on the privatization of state corporations and establishing model market-economy cities.

It also calls for the active use of private investment in projects for the construction of infrastructure and

building of a job training center in Cambodia, the officials said.

They said the cooperation program was adopted last September at a Japan-ASEAN industry ministers' meeting in a bid to establish broad-based cooperation among their respective countries for further economic development in Asia.

Experts and government officials from 11 countries have worked to come up with the agreement.

The contents of the agreement reached Friday will be approved at the next industry ministers' meeting, scheduled for Sept. 9 in Brunei, MITI officials said.

The countries will then set up experts groups for each area so as to start actual activities next year, the officials said.

Murayama, PRC Official Meet on Bilateral Ties

OW0408101295 Tokyo TOKYO SHIMBUN In Japanese 27 Jul 95 Morning Edition p 3

[FBIS Translated Text] Prime Minister Tomiichi Murayama met with Sun Pinghua, president of the Sino-Japan Friendship Association for China, at his official residence on the afternoon of 26 July. In an apparent rebuke to the United States for issuing a visa to Taiwanese President Li Teng-hui, President Sun said: "Sino-U.S. relations remain soured. Both China and Japan should work to prevent their relations from becoming like Sino-U.S. relations." In this way, he indicated that China expects Japan to adopt a careful Taiwan policy.

At the meeting, the prime minister said: "My predecessors have built the present Japan-China relations over a long time and I have to further these relations. The furtherance of Japan-China relations is in the interest of not only China, but the Asian-Pacific region." Thus, the prime minister stressed that there is no change in his intention to maintain friendly relations with China and further these relations.

Commenting on a May visit by the prime minister to the Marco Polo Bridge where the Sino-Japan War broke out, President Sun said: "At the time, the Chinese people spoke highly of you, saying you have a correct perception of history. They were pleased with your visit to the bridge." The prime minister responded to President Sun's comment by saying: "We must have a correct perception of the issues of history. There is no change in my view."

DA Expert Discusses China's Military Strength

OW0408113395 Tokyo TOKYO SHIMBUN in Japanese 23 Jul 95 Morning Edition p 4

[Interview with Ikuo Kayahara, director of the Asian Affairs Office at the Defense Agency's National Institute for Defense Studies, by foreign affairs reporter Katsutoshi Sakota; place and date not given; first paragraph is TOKYO SHIMBUN introduction]

[FBIS Translated Text] Will China be a threat to other countries? — I threw this question at Ikuo Kayahara, director of the Asian Affairs Office at the Defense Agency's National Institute for Defense Studies. Kayahara is familiar with China's military affairs.

[Sakota] As it previously announced, China began to test fire missiles on 21 July. What is the purpose of the test firing?

[Kayahara] The fact that the test firing has been conducted at the most delicate place indicates it has a highly political objective. Considering its timing, it can be interpreted as a warning to Washington in regard to the recent visit to the United States by Taiwan President Li Teng-hui, and as a hint that Beijing may use force against Taiwan. It is very rare for China to test fire missiles at Taiwan. The ongoing test is the first for the country since its 1980 test firing of intercontinental ballistic missiles into the South Pacific. Although it has not been confirmed, I presume the missiles used in the test are smaller than intermediate ones. They may be short range (M-type) missiles. The technological objective of the test, if there is any, may be to examine the influence of the strait's climate on missile launching to enhance the capability of hitting targets.

[Sakota] What is your assessment of China's military strength?

[Kayahara] When you analyze China's military power, you need to look at its nuclear weapons, conventional force, and combat readiness. Beijing maintains a huge conventional military force, which is composed of a regular army (the People's Liberation Army (PLA)), paramilitary forces (armed police), and reserves (militiamen). The PLA is said to be comprised of 2.9 million troops, of which 2.2 million belong to the army. China surpasses the United States and Russia and is the largest country in the world in terms of number of troops.

[Sakota] But it is questionable whether China's military power is superior in "quality."

[Kayahara] In the 1980's, China reviewed its traditional people's war strategy and began to pursue ways to check an enemy's advance on the border. To this end, Beijing has promoted the modernization of its defensive

capability, or the qualitative enhancement of its military power. The quality of weapons is of great importance in modern warfare. China ranks first to third in the size of each military force, but it lags behind other countries in the development of high-performance weapons. As long as China maintains the army as the nucleus of its military strength and its capability of projecting military power into foreign countries (power projection) is limited, China will not be a threat to other countries.

[Sakota] So, is it impractical to argue whether or not China will pose a threat to other countries?

[Kayahara] The question is, what is a threat? If China poses a threat to other countries, the threat would be received differently, depending on the state of mind of those exposed to the threat, their geographical relations with China, and their relative military power. In this regard, countries bordering China might feel a sense of oppression. The sense of threat will differ according to the threatened countries' military strength and the intentions of the country posing a threat. China's recent advance into the ocean has spurred suspicion that the country may plan to expand its territory. China's military power bears many unclear elements, which makes the country more uncanny. To build up relations of trust with other countries, Beijing should disclose military data.

[Sakota] What about China's nuclear weapons?

[Kayahara] Its nuclear capability provides the basis for the assertion that China may pose a threat to other countries. Up to today, Japan, which is under the shelter of the U.S. nuclear umbrella, has rarely regarded China's nuclear capability as a threat. Although China's development of nuclear weapons did not draw much attention under the U.S.-Russia mutual nuclear check system in the Cold-War period, the country now surpasses France in nuclear capability. But China seems uncooperative in maintaining international order. It conducted nuclear tests immediately after the indefinite extension of the nuclear Nonproliferation Treaty (NPT) was decided. We urge the country to restrain itself as a nuclear power.

[Sakota] Beijing has repeatedly said that it will not launch a preemptive nuclear attack on nonnuclear states.

[Kayahara] China has so declared since it conducted its first nuclear testing in 1964. However, it has currently exerted its efforts to downsize nuclear warheads and develop missiles that can hit neighboring nonnuclear states, including Japan. This contradicts China's assertion that it will not attack nonnuclear countries. As the sole nuclear power in Asia, China should make positive contributions to efforts to realize the NPT's ideals.

It should also make efforts to increase the transparency of its nuclear capability.

[Sakota] What do you think of the Spratly Islands problem?

[Kayahara] I think oil resources there prompted Beijing to claim rights over the islands. China may want to shelve the territorial rights issue and promote joint oil exploitation with concerned countries. But because of such troubles as the recent dispute with the Philippines over Mischief Reef, it would not be easy for China to establish relations of trust with concerned countries. Also, it will be more difficult for the next Chinese leadership in the "post-Deng Xiaoping" era to take a flexible stand on the territorial issue.

[Sakota] It is questionable whether neighboring countries will agree with China's proposal to shelve the issue.

[Kayahara] Although China has asserted that the territorial rights issue should be discussed in bilateral talks, there is a limit to what they can discuss in bilateral consultations. If ASEAN members strengthen their unity and gain power, relations between China and the Spratly Islands could be like those between the United States and Vietnam and between the former Soviet Union and Afghanistan. In view of its military strength, it is heavy a burden for China to continually dominate the South China Sea. China, which gives priority to economic construction, has been annoyed by Taiwanese issues. On the other hand, it cannot compromise over issues concerning national sovereignty and territorial rights. From now on, Beijing will face difficulties in dealing with ASEAN countries.

Balanced Investment To Stabilize Yen Urged

OW0308124095 Tokyo KYODO in English
1216 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Japan needs to aim at balanced expansion in domestic and overseas investment and loans to "normalize" the yen's foreign exchange level, the vice minister of international trade and industry said Thursday [3 August].

Tomio Tsutsumi told a press conference that a yen-rescuing package announced Wednesday by the Finance Ministry is "well-timed to give a downward push to the Japanese currency," which has recently declined against the U.S. dollar.

The package created conditions so that foreign exchange market players can buy dollars with more confidence, he noted.

Tsutsumi also said Japan should boost its domestic demand and improve its economic structure to invite more investment by overseas sectors.

On a row between Eastman Kodak Co. of the United States and Fuji Photo Film Co. of Japan, Tsutsumi supported Fuji, saying the firm's statements clarified "what Kodak is doing in the U.S. market and what it has not done in the Japanese market."

MITI: Import From PRC, ASEAN Increasing

OW0308123495 Tokyo NIHON KEIZAI SHIMBUN in Japanese 24 Jul 95 Morning Edition p 7

[FBIS Translated Text] According to Ministry of International Trade and Industry [MITI] reports, the level of Japanese imports from China and ASEAN nations has sharply increased since 1990. Imports from ASEAN states amounted to 18 percent of the overall 1989-1994 level, while Chinese imports accounted for 30 percent. Together, China and ASEAN imports accounted for nearly half of the total increase.

Japan's import of finished products totalled \$151.7 billion in 1994, with imports from China and ASEAN nations counting for 22 percent of that amount, putting them just behind the amount of imports from the United States. These figures indicate that China and ASEAN nations have gained strength as exporters of finished products to Japan; they now rank above the United States in the export of communications equipment.

MITI's analysis reveals that the level of products from the newly industrializing economies (NIES) during 1985-1988 accounted for 24 percent of total Japanese imports; imports from Europe accounted for 26 percent, and imports from the U.S. were 18 percent of the overall level of imports. The combined level of China and ASEAN nations was less than 10 percent.

However, while Japan's level of imports from NIES nations dropped to 8 percent in the 1989-1994 period, the share of imports from ASEAN and China increased to 48 percent. Imports from those states account for nearly half of the recent increase in finished products imports.

These trends have also been seen in individual commodity import levels. MITI's analysis on the import of three key products—communications equipment, electrical machinery, and textile products—indicate that the share of Japanese imports of communication equipment from China and ASEAN states was only 15 percent, while imports from NIES states amounted to 43 percent and the from the United States, 36 percent. There was a wide gap in comparison with these nations. However, the share of imports from China and ASEAN states in-

creased to 32 percent in 1993, moving ahead of imports from the United States and NIES nations, which each occupied 29-percent share.

The level of imports of electrical goods from the U.S. and NIES states continues to decline each year, while the share of imports from China and ASEAN nations continues to grow. China increased its share in Japan's miscellaneous products import market to 28 percent in 1993 from 11 percent in 1990, moving ahead of NIES nations, whose level represented 21 percent of the Japanese market.

Consequently, ASEAN nations' share in Japan's import of finished products in 1994 increased to 9 percent, while China's share rose to 13 percent. The total share of those states lies above that of NIES nations, which amounted to 16 percent. It ranked below the United States' 27 percent but above the European nations' 20 percent.

The analysis of MITI's International Trade Administration Bureau is: "The import of finished products from China and ASEAN nations has been increasing due to increases in the industrial structure in these nations, due to such factors as the advancement of Japanese enterprises. The horizontal division of labor in Asia is growing in breadth."

Daily Views MOF's Sudden Yen-Curbing Measures

OW0408005495 Tokyo NIHON KEIZAI SHIMBUN in Japanese 3 Aug 95 Morning Edition p 2

[Unattributed article]

[FBIS Translated Text] Behind the Finance Ministry's measures to correct the trend of yen appreciation at this time is a sense of crisis arising from the fact that the emergency yen-curbing and economic pump-priming measures announced in April and a package of supplementary measures announced in June have not been at all effective in bringing about economic recovery.

Since the yen exchange rate has recently remained at the relatively stable level of just below 90 yen to a dollar, the latest package clearly demonstrates the government's position that "an exchange rate below 90 yen to a dollar is undesirable." The package might also be intended to "fill the policy vacuum" (according to a senior Finance Ministry official) until the formulation of the second FY 95 supplementary budget in the fall.

According to a senior Ministry of Finance [MOF] official who was involved in compiling the yen-curbing measures, "We have clearly demonstrated our position that the present exchange rate cannot be justified by

Japanese economic fundamentals." The MOF had been increasingly concerned that despite the successive economic packages, economic indicators pointing to production stagnation and a worsening employment situation remained unchanged. It concluded that it is necessary to restore the exchange rate to above 90 yen a dollar in order to lay the groundwork for economic recovery.

However, it is also true that there are no readily available economic pump-priming measures at this point. Even if substantial additional fiscal spending can be realized in the second supplementary budget, the budget will not be formulated until autumn. Although the financial market is rife with speculation about yet another reduction of the official discount rate, it remains uncertain whether the Bank of Japan will be willing to do so immediately, since the present rate is already at a record low.

The present yen appreciation package consists of very technical items, such as deregulation of financial operations by insurance companies and a review of accounting methods, that are not readily comprehensible to laypersons. Even a middle-ranking MOF official admits, "If you announce them one by one, the impact on economic conditions and the foreign exchange market will be small."

For this reason, the MOF worked very hard to make the yen package have a strong impact — by paying great attention to preventing "information leakage," for instance. MOF officials reveal that the life insurance companies were told only that a "hearing" was being held on investments in foreign bonds, and "the compilation of the measures was kept a secret."

Furthermore, with regard to measures on refluxing capital funds of government institutions, "only a handful of officials" of the Japan Export Import Bank and the Overseas Cooperation Fund were informed a few days beforehand. This was due to the bitter experience with information leakage before yen appreciation measures were announced in April and June, causing the economic packages to fail to make an impact.

Senior MOF officials stress that "the most important thing was the element of surprise." Evidently, there was an attempt to aim at the best timing to startle the market and "make a strong impression with little available resources." (according to a senior official)

EPA Chief Sees Weaker Yen Boosting Economy

OW0408060595 Tokyo KYODO in English
0343 GMT 4 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — Economic Planning Agency chief Masahiko Komura said Friday [4 August] the weaker yen and the upturn in stock prices will have positive effects on Japan's sluggish economy, and he called the Finance Ministry's yen-cooling package announced Wednesday "an excellent move."

Komura told a press conference after a regular cabinet meeting that the yen-curbing measures will encourage Japanese investors, particularly life insurers, to buy more U.S. and other foreign securities, putting a cap on the recent surge in the yen's value.

Komura hinted that the government might later this year revise slightly upward its judgment of the economy, provided the trend toward a weaker yen and higher stock prices persists.

Meanwhile, however, Prime Minister Tomiichi Murayama's cabinet continues to predict a bleak outlook for the economy, which it describes as "at a standstill" on the road to recovery.

Key Points of FY95 Economic White Paper Viewed

OW0308112895 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 25 Jul 95 Evening Edition p 1

[Unattributed article: "The Government Urged To Push for Deregulation Without Fearing Ensuing Pains"]

[FBIS Translated Text] On 25 July, Masahiko Komura, director general of the Economic Planning Agency, briefed a cabinet meeting on the 1995 economic report (the economic white paper) and obtained cabinet approval. The economic white paper paints a grim future of Japan's economy. It notes "the recovery of the Japanese economy has been slow having been impacted by the sharply appreciated yen and a deflation. The economic white paper says the government needs to shore up Japan's economy with its financial and monetary policies that will increase demand in the private sector."

The paper notes the economic need to regain medium and long term market vitality, and says that market mechanisms must be revitalized by relaxing regulations. It notes that Japan's economy must be restructured so to take advantage of gains from the drastically appreciated yen. The paper emphasizes that any pains from putting uncompetitive enterprises out of business and employment adjustments are unavoidable costs of reform.

The subtitle of the economic white paper is "Japan Aims For Restoration of Its Economic Dynamism." The paper analyzes the present state of Japan's economy from three points: economic trends, industrial adjustment under the sharply appreciated yen, and how to deal with a senior citizen society. As conditions for restoration of the dynamism of Japan's economy, indicated in the subtitle, the paper cites a full-fledged economic recovery and the improvement of productivity in non-manufacturing industries via medium-and long-term measures to improve competitiveness. As for dealing with a senior citizen society, the paper notes that "Japan needs a leaner and more efficient government to deal with this."

Commenting on the main cause of the slow economic recovery, the paper points to a delay in the recovery of business investments in plants and equipment. The paper notes that the delay in reducing corporate indebtedness compared to balance sheets of enterprises, along with a stagnant rise in sales following the deflation caused by the drastically appreciated yen, are responsible for the delay in the recovery of plant and equipment investments. The paper equates the present state of Japan's economy with the economy of Japan that fell from its road to recovery shortly after the first oil crisis.

Based on this grim perception of the present state of Japan's economy, the paper stresses the need for the government to keep final demand robust via its financial and monetary policies.

Analyzing the impact of the sharply appreciated yen on enterprises, the paper stresses that while the manufacturing industry has weathered the strong yen by improving productivity, nonmanufacturing industries, which are subject to many regulations, have failed to improve productivity. The paper raises the alarm over relatively high costs in such nonmanufacturing industries as services, transportation, communications, and financial services, which have widened price differentials between Japan and other nations, thereby weakening the manufacturing sectors international competitiveness.

The paper stresses the importance of taking strong measures to improve competitiveness in nonmanufacturing industries to break the present deadlock in Japan's economy. It calls for the creation of such new industries as information network, medical care, housing, and leisure as a condition for keeping Japan's economy growing.

The paper points out that these will entail the pains of industrial weeding out [sangyo tota] and employment adjustment, calling them "unavoidable and necessary costs." The paper insists that like Germany, Japan should aggressively work on restructuring its economy to take advantage of the sharply appreciated yen.

The paper proposes that the public sector reduce the size of the financial scale and create a system in which the private sector is revitalized to prepare for a 21st century senior-citizen society. Estimating that if the current social security system is left untouched as it is, the fiscal deficit would exceed eight percent of the gross domestic product (GDP) in the year 2040, the economic white paper points out that Japan needs to expand job opportunities for senior citizens and review the current pension and medical care systems to reduce future burdens.

Editorial Criticizes Economic White Paper

*OW0408110895 Tokyo YOMIURI SHIMBUN
in Japanese 26 Jul 95 Morning Edition p 3*

[Editorial: "Economic White Paper Fails To Show Prescription Against Recession"]

[FBIS Translated Text] How can the current state of the Japanese economy be viewed with such optimism?

This year's economic white paper is based on an understanding that fails to even remotely resemble views held by corporations and households which feel threatened by deflation and unemployment under such an unusual circumstance as the Japanese economy's registering "near-zero growth" for three consecutive years.

The white paper, which is subtitled: "Towards the Restoration of Dynamism in the Japanese Economy," analyzes the Japanese economy's 50 years since the end of World War II, viewing it from three angles: economic trends, industrial adjustment, and the public sector.

Regarding economic trends, the white paper cites the following points, among others, as factors that prevented public demand from initiating economic recovery and thus stalled the economy: 1) The employment situation has remained severe, and personal consumption has not increased; and 2) The fall in land value and the yen's appreciation has resulted in weak demand, and recovery in corporate investment in plants and equipment has been slack.

However, we find it hard to accept the white paper's description of the current economic situation as "disinflation in which the rise in prices slows down" and its assertion that there is no need to be overly pessimistic about negative effects of disinflation on the economy.

In Japan, falling prices have already restrained corporate and household activities, and this, in turn, is causing prices to drop even further. Is it not a common understanding among the Japanese people that their economy is at the entrance to a very dangerous deflationary spiral?

The white paper divides the causes of "disinflation" into two categories: "price busting," which has been brought about by increased productivity and cost reduction, and "price decline," which has resulted from recession. In reality, however, the prolonged recession is probably causing price decline, which will lead directly to deflation, to become commonplace.

With such an optimistic view of the economic situation, there cannot emerge any concrete steps to help lift the Japanese economy from "near-zero growth," a condition that even threatens to destroy the pension system and other programs designed to maintain social stability.

Regarding the current account surplus, the white paper, while maintaining that the surplus is on a downward trend, rejects setting target goals for reducing the surplus, asserting "that is unwise."

The huge current account surplus is responsible for the current state in which the yen remains strong and the possibility of deflation looms. The mechanism behind this surplus is the huge amount of excess savings in the country that is not allocated sufficiently toward domestic investment.

Under the current, critical economic conditions, the government must implement full-fledged pump-priming measures by absorbing excess savings with national bonds and designate target goals for reducing the current account surplus.

If the surplus is on a downward trend, the government should incorporate this in its target goals and convey its strong determination to the relevant markets. This will help correct the excessive yen appreciation and lead to economic recovery.

The white paper maintains its optimistic view of the current economic situation, even regarding "industrial adjustment."

For example, regarding the hollowing out of industries, the white paper maintains that "a 'hollowing out' in the sense that the manufacturing-industries sector is being scaled down has not been observed in regard to value-added shares and employment." Regarding the hollowing out of financial services, the white paper asserts that "a hollowing out has not occurred in the sense that domestic financial transactions have considerably lost ground in comparison to the scale of the economy." By defining the term rigidly, the white paper attempts to reject that there is any hollowing out.

Regarding the "public sector," however, the white paper turns around and admits that the situation is serious, asserting that as a result of the aged society, there will be a fiscal deficit exceeding 8 percent of the gross

domestic product (GDP) in 2040, resulting in "invisible government debts" worth 1.2 trillion yen in terms of the yen's current value.

If the government were to grow larger, it would lead to slower economic growth. It is important to view matters from the standpoint of having "a simple, effective government." In the white paper, however, there seems to be a big gap between its pessimistic view of fiscal policies and an optimistic view of the current economic situation.

This imbalance is responsible for creating the impression that the white paper is ambiguous and lacks zeal.

Bond-Rating Agencies' Effectiveness Questioned

952A0597A Tokyo ZAIKAI TEMBO in Japanese
Jun 95 pp 134-138

[Article by Kiyoshi Shimano, journalist: "True Situation of Japan's Three Credit-Rating Agencies Designated by MOF [Ministry of Finance]; Are They Separated From Issuers and Investors!?"]

[FBIS Translated Text]

Rating agencies independently evaluate the risk of nonrepayment of principal on bond investments, giving them a rating of A, B, or, C so the general investor can easily understand. Such agencies had their origin in the United States. This report looks into the true circumstances of rating agencies in Japan.

Recognition Value of Japan's Rating Agencies

One question we asked before beginning to gather material for this article was to what degree the rating of bonds and the agencies that carry out these ratings are generally known.

Perhaps, as might be expected, most of those outside the financial world were unaware that rating agencies existed.

Surprisingly, even those working in financial institutions seemed to have only a very vague idea, as can be seen in the following sampling of answers.

"Ratings? Those are like the data people refer to when they want to know a firm's real strength."

"They're those things that research institutes and places like that give after looking over ledgers and stuff."

"The 'A' or 'B' one sees in NIHON KEIZAI SHIMBUN, those are ratings, aren't they? They're not too relevant to stock investors, are they?"

Of course, everyone had heard of ratings, per se. But the initial association for most respondents was with the (stock) ratings published by the research institutes of major securities firms.

There was even less familiarity with bond-rating agencies. No one could easily cite the names of Japan's three government designated bond-rating agencies. "Umm..." they would say as though stumped, cocking their heads to one side, a corner of their mouths turning down.

Bond-rating agencies didn't just appear on the horizon yesterday.

The Bond Research Institute, the predecessor of The Japan Bond Research Institute [JBRI], the forerunner of Japan's rating agencies, was established twenty years ago, in 1975 (it took its present name in 1979). Japan Credit Rating Agency, Ltd. (JCR) and Nippon Investors Service, Inc. (NIS) were both established in 1985, so even in their case, we are talking about a history that goes back some ten years.

It might be different if these years had not witnessed an expansion of the domestic bond market. In fact, they have.

The market for warrant and convertible bonds, major players in the rating game, rapidly expanded during

the bubble era due to a booming demand for corporate funds. Then, the bubble economy burst and the Heisei recession dragged on, and what we are seeing in place of warrant bonds is the expansion of the straight bond market. In other words, as soon as it seemed that demand had dried up, it sprouted again from another quarter, making sure that rating agencies continued to have work.

The real story is told by the steadily growing number of corporate customers (or the combined number of resident and nonresident bonds) handled by NIS:

March 1988	81 companies
March 1989	164 companies
March 1990	201 companies
March 1991	338 companies
March 1992	426 companies
March 1993	480 companies
March 1994	560 companies

Table 1. Outline of Japan's Bond-Rating Agencies

Agency Name	Japan Credit Rating Agency, Ltd. (JCR) [Nihon Kakuzuke Kenkyusho]	The Japan Bond Research Institute (JBRI) [Nihon Koshasai Kenkyusho]	Nippon Investors Service, Inc. (NIS) [Nippon Inbesutazu Sabisu]
Representative	Masao Fujioka	Tomonuke Yoshida	Tetsuo Midorigawa
Founding	1 April 1985	Inaugurated March 1975 as bond research group within Nikkei Keizai Shimbun; established in April 1979 as a voluntary organization and in April 1985 as a corporation	25 April 1985
Capital	5.84 billion yen	100 million yen	5.88 billion yen
Investors	109 companies, including institutional investors and financial institutions (insurers, trusts, Long-Term Credit Bank of Japan, Bank of Tokyo, Norinchukin Bank, etc.)	Wholly-owned subsidiary of Nihon Keizai Shimbun	121 companies, including economic research institutions affiliated with securities firms and trustee banks such as The Industrial Bank of Japan, Nippon Credit Bank, and city and regional banks ;1;4)Source: TOYO KEIZAI ("Kakuzuke Shinyo Shinsa To Jissai")

NIS annually rates new issues for from 60 to 80 companies and, to all appearances, it seems to be doing well. And yet, most people have never heard of it.

Organization and Work of Bond-Rating Agencies

Next, we will take a look at the organization of Japan's rating agencies and the work they do in rating and evaluating bonds.

In Japan, when firms issue public subscription bonds (i.e., bonds targeting fifty or more investors), they are required to get multiple evaluations from Finance Ministry-designated rating agencies.

There are nine rating agencies. Besides the three Japanese agencies listed in Table 1, there is Standard and Poor's Corp. (S&P), Moody's Investors Service, Fitch Investors Service Inc., Gufu and Fyurupusu (D&F) [as transliterated] and Thompson Bank Watch [as transliterated], which are U.S. companies, and the British IBCA. Only S&P and Moody's, however, have an actual record of performance in rating bonds in Japan, so there are really only five agencies to choose from.

In other words, firms that want to issue bonds and get ratings assigned to them must choose two or more agencies from this list of three Japanese and two U.S. rating agencies.

The roster of investors in each of these three Japanese agencies is different.

The largest, The Japan Bond Research Institute, or JBRI, the forerunner of the bond-rating industry, is a subsidiary wholly owned by NIHON KEIZAI SHIMBUN, Japan's largest mass circulation economic newspaper. This is an example of the kind of setup where a news organ, easily able to assume a fair and neutral stance, has the management rights over a rating agency. In the United States, rating agencies generally have this capital configuration.

On the other hand, in the case of Japan Credit Rating Agency and Nippon Investors Service, influential financial institutions with strong ties to issuers own the majority of stock, each investing a little at a time according to a set percentage.

In Nippon Investors' case, about the only other names we see besides financial institutions are the YOMIURI Newspaper Company and the KYODO and JJI news agencies. In the case of Japan Credit Rating Agency, besides KYODO and JJI, investors include Nihon Keizai Kenkyusho [Japan Economic Research Institute Inc.] and Zenkoku Kyozaikai Nogyo Kyodo Kumiai [National Mutual Benefit and Agricultural Cooperative Association].

We might note, in passing, that YOMIURI SHIMBUN only publishes the ratings of Nippon Investors. Is this a case of special treatment for NIS by one of its investors?

In determining their ratings, each agency goes through the following steps:

(1) The firm issuing a domestic bond asks for an investigation by the rating agency.

(2) Prior to the investigation, the firm making the request presents the rating agency with the necessary documents.

These include financial data on sales, profits, and loans as well as balance sheets and profit and loss statements. Data on the business environment include information on product demand trends, market shares, the firm's major customers and its organizational structure and personnel. Financial data for the past five years is submitted as well as business plans for the next three years.

(3) After two analysts at the rating agency analyze this information, a visit is made to the firm, and information is collected over a two- to three-day period from interviews with the firm's president and those in charge of its main divisions on the organization's vision, management strategy, and financial goals.

(4) After the material has been gathered, the analyst in charge prepares a report and submits it to a rating panel comprised of about 10 members. After discussion, a rating is decided on by unanimous consent.

The standard length of time for an investigation is one month from the date that the firm submits its documents to the rating agency.

Table 2. Japan Bond Research Institute's Rating Definitions

AAA	Based on an overall evaluation, highest degree of safety
AA	Very high degree of safety
A	High degree of safety; outstanding qualities in some areas
BBB	Sufficiently safe for the general investor; but requires constant attention
BB	Safety factors present to warrant concern in the future
B	Low degree of safety
CCC	Not in default, but factors present to warrant concern about future performance

AAA	Based on an overall evaluation, highest degree of safety
CC	Not in default, but factors present to warrant strong concern about future performance
C	In default

Level of safety signifies the ability of the bond issuer to repay the investor the agreed on principal and promised interest.

Plus (+) or minus (-) sigas may be added to AA through B ratings to indicate finer shadings of creditworthiness within the same rating class.

Source: JBRI (Company Outline)

Information Adequate, Weaknesses in Investigatory System

Probably for those respondents in the survey who have had no experience with ratings, the process of arriving at an evaluation appears to be exhaustively detailed and reliable.

However, from the perspective of those who belong to securities think tanks and have an inside knowledge of the process, there are some weaknesses in it. Here, then, are some of the questions posed to The Japan Bond Research Institute and Japan Credit Rating Agency.

[Question] Out of a pool of less than 100 workers, how many analysts are involved in investigations? With several hundred firms requesting rating evaluations, clearly it seems that rating agencies are short-handed.

[Motomu Ozeki, information technology headquarters chief, JBRI] [We have] about 40 analysts who conduct investigations. In terms of numbers, this may be somewhat of a problem. But there are parts of the rating process—like the review process—that are relatively easy. Nor do blue-chip firms issue things like commercial paper (short-term, unsecured promissory notes), so every evaluation does not take a month to complete.

[Junji Hamaoka, general affairs department chief, JCR] Thirty-five analysts are involved in investigations related to ratings, working in teams set up according to business categories. There are teams that also spend all their time on domestic bonds being issued by overseas corporations. We are confident in our investigations.

Both companies probably have highly qualified analysts, but with from 35 to 40 analysts, they are about the same size as the economic research institutes connected to mid-sized securities firms. They definitely leave the impression of being short-handed.

[Question] Are rating agencies utilizing information from outside sources—for example, parent companies

or credit investigators or the financial institutions that are investors in these agencies?

[Ozeki] We are completely independent in our business from our parent company (NIHON KEIZAI SHIMBUN) and pay for any information we use. We almost never use information from credit investigators like Teikoku Data Bank.

[Shuji Tanahashi, JCR consultant] We never exchange data with our stockholders (life insurers, banks, etc.). Confidentiality is a matter of common sense for rating agencies. We make use of information from credit investigators when appropriate.

Whatever the case with JBRI, an affiliate of the Nikkei Group, which has a huge data bank, JCR, because of principles of fairness and impartiality, uses information from other sources, excluding its shareholders. This is an area where it seems there is a self-contradiction arising from its business proper and the makeup of its shareholders.

[Question] It seems Japan's rating agencies are slow to respond. Compared to S&P or Moody's and their quickness to reevaluate ratings, Japan's agencies leave the impression they are doing it as an afterthought.

[Ozeki] That's because there haven't been defaults (nonperforming debts accompanying the bankruptcy of issuing firms) in Japan until now. I can't speak for the future. But, yes, I would have to admit that those in the business have been too easy-going in some respects. If something seems odd about the management of the issuing firm, then I suppose its rating should quickly be reevaluated. We are currently very seriously tackling the problem of creating the kind of system that would make that possible.

The third rating agency, Nippon Investors Service, declined to be interviewed on several occasions but did agree to provide us with documents and other materials. Their reason, according to a spokesperson, was that NIS's business was basically the same as the other two companies' business, so "there was nothing to be added." In an age when even dubious, new religions are granting interviews, NIS's response is hard to understand.

Financially Struggling Rating Agencies

Earlier it was said that rating agencies were seeing increased demand for their services. This has had little impact, however, on their profits. There is a classic case of being "busy without profit."

Of the three companies, only JBRI has been in the black from the beginning.

One of the reasons is JBRI's highly profitable publication, NIKKEI KOSHASAI JOHO [NIKKEI BOND INFORMATION]. JCR and NIS, neither one having any publishing experience or know-how, are chronically in trouble.

JCR posted continuous losses since it was established in 1985 through March 1993. With the exception of a single settlement term, NIS had been in the red until March 1993.

Both companies have been posting gains since March 1994, but it will take time for them to erase the losses that have accumulated over the years.

Even though both companies are now operating in the black, they have not been relying on fees from their rating services (their main business) to get to this point; instead, they have finally been able to make ends meet by investing what, considering their size, amounts to large sums of capital, suggesting that the rating business, itself, is doing poorly.

Sources in the industry seem to agree that one reason for the financial difficulties of these agencies is that the compensation (fees) for rating services is too low.

JBRI's first-time fee for rating long-term issues when under 15 billion yen is 3 million yen. JCR's fee for issues under 20 billion yen is 3 million yen. For issues under 10 billion yen, NIS charges 2 million yen plus 0.01 percent of the amount being issued.

Issuers may be able to raise large sums of money at low, long-term interest rates. Though their burden may be light, for rating agencies requiring two full-time analysts, the return is insufficient. Fees are said to be what they were 10 years ago, or since 1985 when the [two younger] rating agencies were formed.

It is understandable to hear those in the field complain. Says Ozeki, "The number of rating agencies is clearly not increasing. That's because this business is not profitable. It doesn't make any money."

According to knowledgeable sources, there is another troubling aspect about rating fees.

Hideji Abe, representative of Financial Research wonders "if published fee schedules are really being adhered to." "I suspect fees are being reduced quite a lot," he says. "It's unlikely that companies, especially U.S. companies like S&P or Moody's, are keeping to their formal fee schedules. Seeing this, Japan's rating agencies will also reduce their fees. If the published fee rates are strictly maintained, they should be doing better."

If already cheap rates are further reduced, the credibility of ratings, itself, will be shaken. No matter how one

looks at it, the cut-rate ratings of financially depressed agencies can hardly be taken seriously.

Unable To Take Advantage of Current Tailwind

Besides these three rating agencies, there is the Mikuni Office, headed by Akio Mikuni, a Nomura Securities "old boy" club member and Japan's first native-born bond analyst.

Somewhat of an oddity, the office, which doesn't gather information, is still known for conducting very strict evaluations based on financial data and enjoys much more of a reputation overseas than at home. Revenue from its newsletter supports its operations, but the Finance Ministry has still to designate it as a rating agency. The bottleneck comes from its policy of not going out to gather information. According to one source, "U.S. companies (S&P, Moody's) don't do very much of this either, so there must be another reason for its being excluded."

Though briefly, this article has presented the unknown but true situation of Japan's rating agencies.

Their present environment is improving.

The Finance Ministry, the birth-parent of these agencies, has embarked on an agenda for financial deregulation and is urging that standards for qualifying bonds be eased; in other words, it is promoting fewer restrictions on firms that can issue bonds. The number of issuing firms will be increasing annually and, along with this, there will be a growing demand for rating services.

It would be difficult to say, however, that the rating agencies themselves have the ability on their own to become more valued members of the financial community. Though they may appear serious and well-intentioned, they lack strategy and judgment. To borrow the words of [Financial Research's representative Hideji] Abe:

"It would depend on them, of course, but there's no reason why rating agencies shouldn't have a more valued role or acquire a higher status. For example, if they move very quickly and are rigorous in their ratings, they can gain immense support from individual investors. However, they are think tanks, and while their people may be smart, they lack a business sense. Thus, they end up being isolated from both issuers and investors."

"The day is young, but the road is long, and the time (for rating agencies) not yet ripe." This seems to describe the present situation.

Kono Returns to Tokyo From Brunei Meetings

OW0308123895 Tokyo KYODO in English
1222 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Foreign Minister Yohei Kono returned to Tokyo from Brunei on Thursday [3 August] after attending annual ministerial talks between the Association of Southeast Asian Nations (ASEAN) and its seven dialogue partners.

Kono attended a one-day meeting of the ASEAN regional forum on Tuesday and a two-day conference of foreign ministers from ASEAN and its seven dialogue partners Wednesday and Thursday.

Kono also held separate talks with the foreign ministers of Australia, Brunei, China, Indonesia, South Korea, Russia, the United States and Vietnam.

Official on Need To Promote Deregulation

OW0308132195 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 23 Jul 95 Morning Edition p 33

[Interview with Takeo Shiina, chairman of subcommittee for administrative reform and deregulation; date and place not given]

[FBIS Translated Text] [Nihon Keizai Shimbun] The Administrative Reform Council's subcommittee for deregulation, which is studying how to promote deregulation, will disclose to the public some points at issue in each field. What is the purpose of this?

[Shiina] Some 90 groups and companies have been advising the subcommittee regarding deregulation and we have been discussing the issue with each ministry and agency since April. Of the things we talked about, we will choose regulations for 40 items. We will explain their outlines, and sort out and publicize opinions for and against the idea of easing these regulations. We want the people to talk about the issue. Our aim is to share the view that we need to ease the regulations in widely ranging areas. We want the people to understand the purpose and goal of the deregulation. To promote deregulation, we need a national consensus. After that, we will prepare the subcommittee's final report in November.

I myself have been involved, in various ways, in deregulation. I served as a government council member and as a chairman of the deregulation committee of the Japanese Association of Corporate Executives [JACE]. Come to think of it, 11 years have passed since I said at the JACE that the economic regulations should be removed in principle. Of late, many people are saying that deregulation is indispensable for economic measures as well as for reduction of the current account surplus. But we are not making progress as we wish.

After all, this is because we have no national consensus, saying that we absolutely need deregulation. Somehow I want to break down this point.

[Nihon Keizai Shimbun] By the way, how has the subcommittee been studying the point at issue?

[Shiina] We met once a week and talked about deregulation for three hours. Sixteen committee members and participants had frank discussions. Fundamental role of the subcommittee is to keep eyes on how the government promotes deregulation. We are studying not only the 1,091 items approved by the cabinet at the end of March but also the other items, which have already been dealt with, and the ones, which were not incorporated in the government plan because they were "difficult to deal with." In view of the purpose of deregulation, we are filtering out items which will be subject of discussions.

So far, we have laid more than 100 items on the table for consideration. We will publicize the points at issue regarding 40 items. We do not want you to think that this is all we do. This fall, we will start, while studying as many items for deregulation as possible, concrete effort to write the final report.

[Nihon Keizai Shimbun] The political situation may become unstable depending on outcomes of the Upper House elections. Kasumigaseki may fail to take actions even if you make good proposals. Can you comment on this?

[Shiina] The government's fundamental policies were approved by the cabinet at the end of March. Most importantly, under the current circumstances, in which companies are overprotected by regulations and costs of goods and services are high, it is difficult to create a vital economic society.

I think deregulation is tantamount to restricting Japan. The three conditions for a successful corporate restructuring are top leaders' decisionmaking capability and leadership, sense of unity between people in administrative positions and management, and employees' understanding and cooperation. Regarding deregulation, we already have the government's decision. I am sure the administration side will have no choice but to take actions if we can get understanding and cooperation from the people.

Editorial Comments on Deregulation Report

OW0208131995 Tokyo TOKYO SHIMBUN
in Japanese 22 Jul 95 Morning Edition p 4

[Editorial: "Deregulation Report Should Reflect the Government's Eagerness"; first paragraph is TOKYO SHIMBUN introduction]

[FBIS Translated Text] A white paper on deregulation was announced for the first time. Although the deregulation report is said to be aimed at providing information on regulations, we do not want to see a report just listing the facts convenient to the government. We want to see a report that is substantial and meets the people's expectations.

How are "regulations" really working? Why has progress not been made in deregulation? These points are what the people want to know about the government's deregulation measures, and the first answers to these questions were supposed to have been given in the white paper.

However, we are very disappointed with the white paper because what it states is far from the people's expectations.

The report lists deregulation measures the government has taken so far listed in a time series. It examines effects of deregulation by explaining in detail over 1,000 items that are subject to deregulation scheduled to be carried out under the deregulation five-year plan. However, we wonder if the government really thinks it has answered the people's demands.

The government should provide the people with clear information regarding what stage the deregulation plan has reached so far, what is a stumbling block to deregulation, and how the government will promote the plan from now on; otherwise the report loses its significance.

According to a Management and Coordination Agency survey, the private sector called on the government last year to ease regulations in over 4,000 business areas. However, the government has put only about 40 percent of them under the deregulation plan, saying it is "difficult" to put all items under the plan and there is "misunderstanding" in current regulations.

What does the government mean by "difficult" and "misunderstanding"? Unless those points are made clear, it will be impossible to carry out deregulation and truly abolish current regulations.

The white paper ignores these points. In a previously released interim deregulation report, the government enumerated regulations that are difficult to be eased.

However, the current white paper fails to list those hard-to-ease regulations.

We are not satisfied with this point. The people may think the report shows only what is convenient to the government, and the government may not be able to counterargue.

Deregulatory steps and abolition of regulations is an important means to make the economic and social structure — in which the people feel a certain sense of hopelessness — transparent. Carrying out deregulation will be attended with various pains. Since deregulatory steps deprive the government and related industries of their vested rights and interests, there is strong opposition to the deregulation plan. However, it is important to give impetus to deregulatory steps to change the current structure.

We are not saying we measure the government's eagerness and position only in terms of what is described in the white paper. However, if the government shows a perfunctory manner in dealing with deregulation, it would further lose credit with the people. It is hoped that the government will not only advance the deregulation plan but also be resolved anew to promote economic deregulatory steps in line with the basic policy of eliminating economic regulations in general. The deregulation plan is now in the implementation stage.

Tokyo Endorses 4.2% Limit in FY96 Budget

OW0408032795 Tokyo KYODO in English
0108 GMT 4 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — Prime Minister Tomiichi Murayama's cabinet endorsed Friday [4 August] a ceiling on general operating expenditures in the national budget for fiscal 1996 of 43.93 trillion yen, a 4.2 percent growth from the initial budget for the current fiscal year ending March 31.

At a regular cabinet meeting, the coalition government also approved the growth limit for defense and Official Development Assistance (ODA) expenses by 2.9 percent and 7.0 percent, respectively.

The Defense Agency had called for a 4.1 percent rise in the growth pace of defense spending against a 0.855 percent gain in the current fiscal year budget.

The expansion rate was trimmed as a result of negotiations among the three coalition parties, the Liberal Democratic Party (LDP), Murayama's Social Democratic Party (SDP) [Social Democratic Party of Japan — SDPJ] and New Party Sakigake [Harbinger].

The SDP demanded that the pace in defense spending should be at a 0.70 percent rise, against the 3.9 percent

and 2.88 percent increases sought by the LDP and Sakigake, respectively.

The 7.0 percent growth in ODA spending is the lowest, beating the previous low of 7.5 percent in the fiscal 1987 budget.

A government official said the current economic slump made it difficult to maintain high ODA growth but it is essential to improve assistance quality.

The Foreign Ministry had sought a 7.7 percent increase in ODA spending, the same level in the current fiscal year budget.

In line with the ceilings, government ministries and agencies are to submit their budget requests to the Finance Ministry by the end of August.

The Finance Ministry will then screen the requests to compile its draft budget and the government is to adopt a final budget plan in late December, if everything goes smoothly.

The 4.2 percent growth rate of general expenditures — the nation's general-account budget minus debt-servicing costs and grants to local governments — is lower than the 4.8 percent rise seen in the fiscal 1995 budget.

Given the severe financial conditions amid the stalling economic recovery, the government decided to impose a 10 percent cut on budgetary ceilings on ordinary administrative costs from the previous year's initial budget.

Meanwhile, the government secured 5 percent growth in spending for long-term investments such as public works projects, the same growth rate as in the previous year's budget, with a view to buoying the stagnant economy.

Within the investment-related outlays, it also decided to continue the current fiscal year's special allocation worth 300 billion yen for priority public works projects into the next fiscal year, with a view to further reviewing shares of public investment among the ministries and agencies.

In response to calls for giving priority to such areas as science and technology and telecommunications, the government earmarked an additional 140 billion yen as special expenditures for structural reforms of the domestic economy.

To raise funds for the additional disbursement, the government decided to slash clerical work expenses by 15 percent.

Designed To Spur Economy

OW0408060295 Tokyo KYODO in English
0420 GMT 4 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — Prime Minister Tomiichi Murayama's cabinet endorsed Friday [4 August] an increase of 4.2 percent in general-operating budget expenditures to 43.9 trillion yen for the upcoming fiscal year in a move designed to spur the faltering economy.

The ceiling for increases in budget requests reached the 4-percent level for the second straight year.

Finance Minister Masayoshi Takemura stressed the government's careful consideration of the economic situation in fixing a framework of the initial budget, noting a 5 percent increase in spending for public investment despite severe financial conditions.

The 140 billion yen special disbursement is intended to prop up the economy over the long and short terms, Takemura said.

Economic Planning Agency Director General Masahiko Komura favored the ceilings, which he said will enable the government to compile an economy-supporting and structural reform-oriented budget.

The cabinet also set the ceiling on growth rates in budget requests on defense and official development assistance (ODA) at 2.9 percent and 7.0 percent, respectively.

In line with the ceilings, government ministries and agencies are to submit their budget requests to the Finance Ministry by the end of August.

The Finance Ministry will then screen the requests to compile its draft budget, with the government due to adopt a final budget plan in late December, if everything goes smoothly.

The 2.9 percent defense spending growth is much higher than the 0.855 percent rise in the initial defense budget for the current fiscal 1995, due to mandatory cost increases such as personnel expenses and payments for contracted frontline equipment.

The Defense Agency had called for a 4.1 percent rise in defense spending.

But the expansion rate was trimmed as a result of tough negotiations among the three coalition parties, the Liberal Democratic Party (LDP), Murayama's Social Democratic Party (SDP) [Social Democratic Party of Japan — SDPJ] and New Party Sakigake [Harbinger].

The SDP originally demanded that growth in defense spending should be kept at 0.70 percent or lower, against

the 3.9 percent and 2.88 percent increases sought by the LDP and Sakigake, respectively.

The rate of expansion in the defense budget is the most politically charged spending issue and one of the key factors in bargaining for the ceilings on budget requests by ministries and agencies.

The 7.0 percent growth in ODA spending is the lowest, beating the previous low of 7.5 percent in the fiscal 1987 budget.

A government official said the current economic slump made it difficult to maintain high ODA growth, adding it is essential to improve assistance quality.

The Foreign Ministry had sought a 7.7 percent increase in ODA spending, the same level as in the current fiscal year budget, to show Japan's positive stance toward international contributions.

Masaru Takagi, chief economist at Fuji Research Institute, said the ceilings of the initial fiscal 1996 budget lack the 'punch' to buoy the economy, despite some evidence of the government's efforts to do so.

Takagi urged the government to spend more on public investment and add more reform-oriented special outlays, while further retrenching recurring costs.

Given the current economic downturn, a large-scale economy-stimulating extra budget will naturally be necessary in the next fiscal year, too, Takagi said.

The 4.2 percent growth rate of general expenditures — the nation's general-account budget minus debt-servicing costs and grants to local governments — is lower than the 4.8 percent rise seen in the fiscal 1995 budget.

The smaller growth is partly because of no obligatory expenses in the next fiscal year like those for the July 23 House of Councillors election and a national census earmarked in the fiscal 1995 budget.

Given the severe financial conditions, the government decided to impose a 10 percent cut in budgetary ceilings on administrative running costs from the previous year's initial budget.

Meanwhile, the government secured 5 percent growth in spending for long-term investments, the same growth rate as in the previous year's budget, with a view to propping up the economy.

Within the investment-related outlays, the government also decided to continue the current fiscal year's special allocation worth 300 billion yen for priority public works projects in the next fiscal year, so that shares of public investment among the ministries and agencies can be further reevaluated.

To raise part of the funds for the additional 140 billion yen expenditures for such areas as science and technology and telecommunications, the government decided to slash clerical work expenses by 15 percent, which will save about 50 billion yen.

As for reconstructing areas of western Japan devastated by the Jan. 17 Kobe earthquake, as well as for supporting domestic farmers affected by farm trade accords under the Uruguay Round global trade talks, the government decided to abstain from earmarking special outlays in the fiscal 1996 budget.

The government is instead expected to secure appropriation of substantial sums for such purposes within a second supplementary budget for the current fiscal year to be compiled this autumn.

Coalition Approves 2.9 Percent Defense Growth

*OW0408004195 Tokyo KYODO in English
2242 GMT 3 Aug 95*

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — The ruling coalition agreed early Friday [4 August] morning on the defense budget growth of up to 2.9 percent for the next fiscal year starting April 1, coalition officials said.

This compares with the 0.855 percent growth in the initial defense budget for current fiscal 1995.

The final agreement came after tough negotiations among three ruling parties — the Liberal Democratic Party (LDP), Prime Minister Tomiichi Murayama's Social Democratic Party (SDP) [Social Democratic Party of Japan — SDPJ] and New Party Sakigake [Harbinger].

The SDP originally demanded that growth in defense spending should be kept at 0.70 percent or lower, below the current 0.855 percent growth. The LDP favored the 3.9 percent increase while Sakigake endorsed the 2.88 percent growth.

The SDP also sought to reduce defense personnel by 5,000 and the zero growth in equipment expenditures, the officials said.

The coalition parties agreed to consider personnel curtailment in reviewing the outline of defense buildup plan, they said.

The SDP also asked a delay in payments for frontline equipment. The coalition agreed to consider the SDP's demand on payments which will not result in international frictions, they said.

The rate of expansion in the defense budget is the most politically charged spending issue and one of key

factors in bargaining for the ceiling on budget requests by ministries and agencies.

The government will formally adopt the ceilings on budget requests at a cabinet meeting Friday, paving the way for government ministries and agencies to submit budget requests by the end of August.

Based on the requests, the Finance Ministry is expected to work out a draft budget by the end of this year.

Panel Urges Drafting Prioritized Budget

*OW0308122095 Tokyo KYODO in English
1200 GMT 3 Aug 95*

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — The head of the Fiscal System Council, an advisory panel to the finance minister, on Thursday [3 August] urged the government to prioritize spending programs in compiling a budget for fiscal 1996.

Shoichiro Toyoda said in a statement that severe financial conditions require the government to make strict decisions based on priority when setting a ceiling on budget requests from ministries and agencies.

Referring to the financial situation, Toyoda said the outstanding balance of government bond issues has increased by 50 trillion yen over the past five years and is expected to reach 216 trillion yen at the end of fiscal 1995 on March 31, 1996.

As the demand for increased government spending is expected in light of Japan's aging population and the need for improved infrastructure, Toyoda urged the government to sort out spending programs for better effects amid limited revenue sources.

At a news conference following the council's general meeting Thursday, he also urged the government to fully review its revenues and expenditures.

'Text' of Lower House Antinuclear Resolution

*OW0408080595 Tokyo KYODO in English
0745 GMT 4 Aug 95*

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — The following is an unofficial translation of the anti-nuclear testing resolution adopted Friday [4 August] by the House of Representatives, provided by the Diet's Foreign Affairs Division.

Resolution protesting Chinese nuclear testing and opposing French nuclear testing

The House of Representatives resolves:

Keeping in mind that Japan, which suffered the A-bomb attacks on Hiroshima and Nagasaki, is the sole country

to have experienced atomic bombs, this house is against all nuclear tests performed by any country.

The recent Chinese underground nuclear test and the subsequent decision by France to resume its nuclear testing are actions which would destroy the earth's environment and ecology, and could even threaten the existence of human life, whatever reasons might be given and whatever conditions might be attached. Moreover, the nuclear tests of these countries even undermine confidence in the treaty on the non-proliferation of nuclear weapons (NPT) and have an adverse effect on the ongoing negotiations on a Comprehensive Nuclear Test Ban Treaty (CTBT).

Vowing to make persistent efforts to eliminate all nuclear weapons, this house lodges a strong protest against China's nuclear tests, and strongly urges France to withdraw its decision to resume nuclear tests.

The government should immediately take appropriate measures to convey the intention of this house to the government, of both China and France, and should also strive for the earliest possible conclusion of the comprehensive nuclear test ban treaty by opposing the production, testing, storage and use of nuclear weapons by all countries.

Poll Shows Murayama Cabinet Rating Declining

*OW0308134095 Tokyo YOMIURI SHIMBUN
in Japanese 3 Aug 95 Morning Edition p 1*

[FBIS Translated Text] A 29-30 July YOMIURI SHIMBUN poll noted that the approval rating for Prime Minister Murayama's cabinet was 34.6 percent. This is 5.5 points lower than the previous poll in June, and is also the second lowest rate following the May poll (33.6 percent) since this cabinet was formed. The disapproval rate was 50.4 percent, up 6.4 points, exceeding 50 percent for the first time.

Primary reasons thought to be behind the sharp drop in the approval rating include: Opposition to the hasty decision to retain the present administration despite losses by the Social Democratic Party of Japan [SDPJ] led by Prime Minister Murayama in the recent upper house election, and that the Liberal Democratic Party [LDP] and Sakigake [Harbinger Party] failed to gain enough seats in the Diet; a decline in unity caused by Murayama's temporarily hinting at resignation in the decision process; the Murayama administration's inability to work out countermeasures for the long-protracted economic depression; and the disclosure of successive scandals by Finance Ministry officials.

While the New Frontier Party [NFP] recorded its highest—17 percent rating—exceeding its record 14

percent level dating to last December's party founding, the LDP matched its lowest level of 21 percent, while SDPJ support also slightly decreased. These approval rates accurately reflect the trend of the last upper house election.

On the approval side, 30 percent of those responding said the present administration is "better than the previous LDP one," and that "the prime minister is trustworthy;" 24 percent cited "approval of its political stance;" 20 percent felt the cabinet "has accomplished certain satisfactory results."

Regarding disapproval, 39 percent indicated that "no satisfactory results can be seen;" 34 percent cited that the administration is "unstable," and "disapproval of its political stance;" while 30 percent cited "disapproval of policy." This poll recorded the highest rating—the same as that in the September 1994 poll—for the number who cited the administration's "instability" for all opinion polls conducted since the cabinets inauguration.

Murayama's Reasons for Shelving Cabinet Reshuffle

OW0308141895 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 2 Aug 95 Morning Edition p 2

[FBIS Translated Text] A source close to Prime Minister Murayama said that the reason for Murayama's decision to postpone a full-scale cabinet reshuffle is his concern that "the reshuffle aimed at strengthening the power base of the administration would only invoke political turmoil." He seems to have worried about the possibility that if Liberal Democratic Party [LDP] President Yohei Kono, (deputy prime minister and foreign minister), and Sakigake [Harbinger Party] Representative Masayoshi Takemura, (finance minister), who form the "iron triangle" with Murayama, leave the cabinet due to the drastic reshuffle, it would lead to collapse of the coalition administration's framework.

Within the LDP, a group which aims at Kono's reelection in the September presidential election, seeks the possibility of drastic reshuffle, including having Kono leave the cabinet. Kono himself appears to have once considered resigning as foreign minister.

However, members of the former Obuchi faction, who intend to prevent Kono's reelection by supporting International Trade and Industry Minister Ryutaro Hashimoto, demand a small-scale cabinet reshuffle. A strife has surfaced within the party. If Kono leaves the cabinet, it is certain that Hashimoto, who is regarded as Kono's strongest rival in the election, will also resign. If that happens, the administration is unlikely to be able to stay together. The fact that a large cabinet reshuffle has become unlikely will work against Kono.

A demand for Takemura's resignation as finance minister has erupted in Sakigake, while Sakigake has delayed preparing for the next lower house election campaign. In view of such circumstances, he wants to avoid as much as possible the political turmoil which may result in a dissolve of the lower house and the general election.

LDP members close to Kono urge that "in a bid to win an advantage over other candidates in the presidential election, Kono implement the reshuffle, while he has the right of LDP personnel management." Some SDPJ members have a strong desire to send their colleagues to the cabinet. At the same time, the demand for Takemura's resignation as finance minister has not abated yet. There is a strong possibility that if a drastic reshuffle is given up, dissatisfaction will heighten in the ruling coalition.

A source close to Murayama said on 1 August: "Since the prime minister did not say whether or not he will carry out a reshuffle, we do not have to deal with the situation on the premise that the reshuffle will be conducted. I think it is better not to strain ourselves to conduct the reshuffle." After carefully considering such circumstances surrounding him, Murayama seems to have given up the reshuffle, while acknowledging adverse factors, such as a decline in the administration's leadership.

On the evening of 1 August, LDP Secretary General Yoshiro Mori visited former Prime Minister Noboru Takeshita at his office in Tokyo, and spoke with him for an hour. Speaking of the reshuffle, Mori said: "It is not good to link it with the presidential election in September. It is the prime minister's supreme power to decide on a reshuffle. We should entrust him with making decision on this issue, including the question of whether or not a reshuffle should be implemented." Takeshita shared his view.

Reportage on Cabinet Reshuffle Meeting

Reshuffle To Be 'Next Week'

OW0408135095 Tokyo NHK General Television
Network in Japanese 1259 GMT 4 Aug 95

[Announcer-read report]

[FBIS Translated Text] The meeting on cabinet reshuffle held by leaders of the three ruling parties at the Prime Minister's Official Residence since 7 PM [1000 GMT] just ended after two-and-one-half hours of negotiations. Foreign Minister Yohei Kono, on leaving the residence, said: The reshuffle will be carried out next week. Finance Minister Masayoshi Takemura commented only: Negotiations have just started.

Details of the talks are still not known, but it is expected that coordination of the leaders focused on whether Kono and Tamekura should remain in the current posts.

Ruling Parties Agree

OW0408143595 Tokyo NHK General Television Network in Japanese 1330 GMT 4 Aug 95

[Announcer-read report; from "NHK News" program]

[FBIS Translated Text] At a meeting which ended tonight there was an agreement to reshuffle the cabinet early next week. Leaders of the three ruling parties were at the meeting. A decision over the issue of Foreign Minister Kono and Finance Minister Takemura remaining in the cabinet will be left over until next week. Our reporter provides details from the Prime Minister's official residence.

[Begin a live relay by Hiroshi Araki, NHK political department] Prime Minister Murayama, Foreign Minister Kono, and Finance Minister Takemura met for nearly three hours tonight. After the meeting, Mr. Kono told a group of reporters that the cabinet would be reshuffled early next week. Moreover, Prime Minister Murayama, at the meeting, repeatedly asked both Kono and Takemura to remain in the posts of foreign minister and finance minister respectively.

According to what Mr. Takemura disclosed to reporters, Kono and Takemura said they will respond to Prime Minister Murayama's request after discussing the matter with their parties. That way, leaders of the three parties confirmed the intention to reshuffle the cabinet early next week. However, they shelved a decision on the focal issue of Kono and Takemura remaining in the cabinet until early next week. Mr. Takemura said there would be no new movements tomorrow, or the day after tomorrow. [end live relay]

Further on Meeting

OW0408033395 Tokyo KYODO in English 0301 GMT 4 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — Prime Minister Tomiichi Murayama, head of the Social Democratic Party [Social Democratic Party of Japan — SDPJ], decided Friday [4 August] morning to carry out a major cabinet reshuffle, at a meeting with the two coalition party chiefs — foreign minister Yohei Kono of the biggest partner Liberal Democratic Party (LDP) and Finance Minister Masayoshi Takemura of the smallest partner New Party Sakigake [Harbinger], coalition officials said.

Kono told reporters after the meeting, which followed a cabinet session, "The premier said he will consider positively my proposal of a large-scale (reshuffle)."

Kono said the three coalition leaders will meet again to discuss the timing and the extent of the cabinet changes to be made. The officials confirmed that Murayama, Kono, and Takemura are scheduled to have talks again Friday evening.

At the morning meeting, Murayama also requested Kono and Takemura to remain in the cabinet. Both of them agreed to the premier's request, the coalition officials said.

Although Kono has said he will stay in the Murayama cabinet, he reportedly hopes to be relieved from the post of foreign minister to concentrate instead on preparing for an LDP presidential election scheduled for next month.

On Wednesday, Murayama had indicated that he had abandoned any plan to make early, major changes to his cabinet. However, Kono and Takemura strongly insisted on a large-scale reshuffle, in a bid to get the people's support following the setback coalition parties suffered in the July 23 House of Councillors election.

Kono and Takemura also insisted that a new cabinet is needed to tackle urgent issues concerning the Japanese economy.

The premier is likely to carry out a cabinet change Monday or Tuesday, within the five-day extraordinary Diet session, or Thursday after the session ends, political sources said. The Diet session started Friday morning.

Chief Cabinet Secretary Kozo Igarashi, the top government spokesman, told a news conference, "They shared the view that the cabinet should be reshuffled."

Murayama was quoted as saying, "I would like you to continue cooperating with me in the cabinet as you have done in the past."

The three men will meet again at 7 P.M. [1000 GMT] Friday to discuss the scale and timing of the cabinet shakeup, Igarashi said.

Major Cabinet Reshuffle 'Likely'

OW0308235695 Tokyo KYODO in English 2303 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — Prime Minister Tomiichi Murayama is likely to carry out a major cabinet reshuffle, retracting his earlier decision to give up a plan for a major change to his 13-month-old three-party coalition cabinet, aides close to

Foreign Minister Yohei Kono said Thursday [3 August] night.

Murayama, head of the Social Democratic Party, talked the matter with Kono, president of the key coalition partner Liberal Democratic Party (LDP), over the phone Thursday night who has returned home from Brunei after attending ministerial meetings of the Association of Southeast Asian Nations (ASEAN) and its seven dialogue partners [sentence as received].

Kono informed Murayama that he and Finance Minister Masayoshi Takemura, head of the smallest coalition partner New Party Sakigake [Harbinger], agreed the need [sentence as received] for a major cabinet reshuffle in talks over the phone earlier in the night, according to the aides.

The prime minister accepted Kono's request, confirming that both Kono and Takemura seek a large-scale cabinet reshuffle, the sources said. Murayama was quoted as saying, "If that's the case, I will do it," they said.

But government sources said early Friday morning that Murayama did not make a definite reply to Kono's demand for a major cabinet change. Murayama was quoted as saying, "Let us talk [sentence as received] over the matter tomorrow."

Murayama, Kono and Takemura are scheduled to meet Friday to make a final decision on the problem, coalition sources said.

Both Kono and Takemura have already expressed their intention to remain as a cabinet minister, the sources said.

On Wednesday, Murayama indicated not [sentence as received] to carry out a major cabinet change, saying each cabinet minister is doing his utmost to help resolve the assigned tasks.

However, Kono insisted on a large-scale cabinet reshuffle in a press meeting with accompanying Japanese reporters in the Bruneian capital of Bandar Seri Begawan on Wednesday.

Kono, who is also deputy prime minister, said, "Some LDP members think a change is essential in considering the current economic situation. Many citizens also support that view."

Kono also had talks over the phone with Takemura the same day, according to political sources.

The sources said Kono and Takemura agreed a major cabinet reshuffle will be effective to wipe out the effect of poor showings by the coalition parties in the July 23 House of Councillors election.

Kono and Takemura also agreed the coalition should concentrate on economic matters with a new cabinet, the sources added.

On Thursday night, Kono met LDP Secretary General Yoshiro Mori immediately after his return from Brunei on the matter.

Some LDP members said Kono will not make an easy compromise on a cabinet reshuffle prior to an LDP presidential election slated in next month. Kono's term as LDP president expires on Sept. 30.

Premier Considering

OW0408052295 Tokyo KYODO in English
0449 GMT 4 Aug 95

[By Takehiko Kajita]

[FBIS Transcribed Text] Tokyo, Aug. 4 KYODO — The heads of the three governing coalition parties agreed Friday [4 August] on the need for an early and major shakeup of Socialist Prime Minister Tomiichi Murayama's 13-month-old cabinet.

"They shared the view that the cabinet should be reshuffled," Chief Cabinet Secretary Kozo Igarashi, the top government spokesman, told a news conference.

On emerging from a meeting with Murayama, the two other coalition party chiefs — Deputy Prime Minister and Foreign Minister Yohei Kono of the Liberal Democratic Party (LDP) and Finance Minister Masayoshi Takemura of New Party Sakigake [Harbinger] — earlier told reporters they had proposed a major cabinet reshuffle, with Kono quoting the premier as saying "he would consider the proposal positively."

Murayama, who heads the Social Democratic Party (SDP) [Social Democratic Party of Japan — SDPJ], asked both Kono and Takemura to stay in the cabinet after it is reorganized.

"I would like you to continue working with me in the cabinet as you have done in the past," the premier was quoted as saying.

Igarashi noted that Murayama's request to Kono and Takemura suggests he wants them to retain their current posts.

The three men will meet again at 7 P.M. [1000 GMT] Friday to discuss the scale and timing of a cabinet shakeup, Igarashi said.

While saying that all ministers in the cabinet have done their best to tackle a number of urgent tasks, Igarashi also noted that the three coalition heads agreed

to overhaul the cabinet so as to "let in some fresh air" 13 months after its inception.

The question of a cabinet shakeup has been in the political spotlight since the coalition forces, especially Murayama's SDP, took a drubbing in the July 23 House of Councillors election.

"It is a good idea to reshuffle the cabinet so that the Murayama administration can make a fresh start following the upper house poll," Takemura told a separate news conference.

"And I believe that, if possible, a large-scale reshuffle should be carried out," he added.

Although Murayama, Kono and Takemura once concurred on the need for an early reshuffle, the premier long wavered on whether to carry it out, given the various factors affecting each coalition partner.

A major concern is the LDP's presidential election in September. In order to concentrate on securing his reelection as party leader, Kono appears willing to leave his foreign ministerial post and keep only the honorary deputy prime ministerial portfolio.

The LDP chief also seems eager to have International Trade and Industry Minister Ryutaro Hashimoto, who is viewed as Kono's main rival in the presidential race, stay in his cabinet post so as to prevent him being able to conduct an active election campaign.

The prime minister must proceed carefully since a cabinet reorganization in favor of Kono might spark a fierce power struggle within the LDP and eventually lead to the termination of the Murayama administration, political sources said.

Murayama is likely to announce the changes to his cabinet Monday or Tuesday, within the extraordinary Diet session which began Friday, or next Thursday after the session ends, the sources said.

Kono Eyes Large-Scale Reshuffle for Reelection

OW0308122895 Tokyo NIHON KEIZAI SHIMBUN in Japanese 3 Aug 95 Morning Edition p 2

[FBIS Translated Text] Prime Minister Tomiichi Murayama has all but decided to postpone his cabinet reshuffle. But Deputy Prime Minister and Foreign Minister Yohei Kono, who is concurrently serving as president of the ruling Liberal Democratic Party (LDP), continues to wish for a large-scale cabinet reshuffle.

It is highly likely Kono has decided to "stake his political life on lightening his current cabinet responsibilities" with an eye on the LDP presidential election scheduled for September this year. If the large-scale cabinet reshuf-

fle for which he aims is blocked, it would undoubtedly torpedo "Kono's reelection strategy." If Kono fails to take a cabinet back seat, he will suffer deep wounds. The possibility is high that his failure to do so will intensify the current intraparty strife and have an impact on the prime minister's effort to keep the coalition partners together.

At a 19 July meeting with Kono, the prime minister expressed his intention to limit the cabinet reshuffle to the replacement of retired Labor Minister Manso Hamamoto. Kono expressed his wish to resign as foreign minister and take a cabinet post with less heavy duties.

He then said: "Let us discuss the issue of reshuffling the cabinet after my return from Brunei."

While Kono was in Brunei, however, an LDP group opposed to Kono's reelection as LDP president, waged a fierce campaign against a large-scale cabinet reshuffle, claiming: "A large-scale cabinet reshuffle aims to lay the ground for Kono to be reelected."

With Masayoshi Takemura, leader of Sakigake [Harbinger], expected to be hard to resign as finance minister for the time being, following a new financial scandal involving a senior Finance Ministry official and problems in handling the troubled Cosmo Credit Corporation, Kono's "strategy for a large-scale cabinet reshuffle" has become a useless one.

In reaction, LDP Secretary General Yoshiro Mori, who leads an LDP group backing Kono, met on 1 August with former Prime Minister Noboru Takeshita, Wataru Kubo, secretary general of the ruling Social Democratic Party of Japan, and Yukio Hatoyama, representative secretary of Sakigake. Following the meeting Mori telephoned Kono, who was in Brunei, to discuss "Kono's remark about a large-scale cabinet reshuffle."

Under the large-scale cabinet reshuffle envisioned by Kono, he would take the "post of deputy prime minister and minister without portfolio" after resigning as foreign minister. Meanwhile, International Trade and Industry Minister Ryutaro Hashimoto, his rival in the LDP presidential election, would be kept in the cabinet and LDP Secretary General Yoshiro Mori and Hiroshi Mitsuzuka of the old Mitsuzuka faction, would be appointed cabinet members.

"Hashimoto, however, is resolved to quit the cabinet if Kono resigns as foreign minister," (according to a senior member of the old Obuchi faction). Depending on the circumstances, Kono and Hashimoto may start their election campaigns quite suddenly.

Hashimoto Comments on Expected Cabinet Reshuffle

*OW0408141695 Tokyo KYODO in English
1409 GMT 4 Aug 95*

[FBIS Transcribed Text] Manila, Aug. 4 KYODO — Japanese Trade Minister Ryutaro Hashimoto on Friday [4 August] denied a Japanese newspaper report that he is frustrated over an impending cabinet reshuffle and may quit the cabinet of Prime Minister Tomiichi Murayama.

"I haven't expressed displeasure nor have I said I will exit the cabinet," Hashimoto told reporters accompanying him on a trip to the Philippines on the final leg of an Asian tour.

The NIHON KEIZAI SHIMBUN, a Japanese economic daily, reported in its Friday evening edition that Hashimoto telephoned from Hong Kong to a Murayama aide and expressed displeasure at a move by Foreign Minister Yohei Kono toward a major cabinet reshuffle.

Hashimoto, viewed as a key contender to Kono in the Liberal Democratic Party's presidential race next month, reportedly said he may not follow what Murayama wants to do if a cabinet reshuffle is decided upon without him.

Hashimoto admitted to having had contact with several LDP members supporting him in the presidential race but said he has no plans to cut short his two-day stay in Manila to return home.

Japan's three parties in the ruling coalition agreed Friday on a cabinet reshuffle, which is expected as early as next Monday.

Murayama Comments on Merging With Sakigake

*OW0308125695 Tokyo YOMIURI SHIMBUN
in Japanese 3 Aug 95 Morning Edition p 3*

[FBIS Translated Text] Prime Minister Tomiichi Murayama met with Morishige Goto, chairman of the All-Japan Prefectural and Municipal Workers' Union, at his official residence on 2 August. During the meeting, the prime minister discussed the possibility of the ruling Social Democratic Party of Japan (SDPJ) and Sakigake [Harbinger] forming a new party and said: "I believe the formation of a new party by the two parties will not go smoothly. I have no intention of forming the new party by simply combining the members of the two parties." In this way, he indicated that the formation of the new party by the SDPJ and Sakigake alone would be difficult.

SDPJ's Forming Party With Sakigake Discussed

*OW0308132595 Tokyo YOMIURI SHIMBUN
in Japanese 31 Jul 95 Morning Edition p 1*

[FBIS Translated Text] In a 27 July meeting at the Prime Minister's Official Residence, Prime Minister Tomiichi Murayama (who is also the chairman of the Social Democratic Party of Japan (SDPJ)) and Finance Minister Masayoshi Takemura (who heads Sakigake [Harbinger]) agreed to form, by the time of the next lower house election, a "new party composed of doves and liberals."

This was disclosed on 30 July by several senior Sakigake and SDPJ officials. The two leaders decided to form a new party because of their sense of crisis that, under present conditions, the next lower house election will create a two-party system in which the Liberal Democratic Party [LDP] and the New Frontier Party [NFP] will dominate the political world. They aim to form a third political force that can contest the LDP and the NFP. The two parties will begin detailed discussions on the plan as early as this week.

As they keep a close eye on the second phase of political reorganization, they will also study the possibility of forming an alliance with various other forces, including liberals within the LDP and the NFP, and members of the "Liberal Forum" led by former Hokkaido Governor Takahiro Yokomichi.

The proposal to form a new party was made by Takemura at the 27 July meeting, and Murayama agreed to it.

Takemura told Murayama: "I want to establish a large liberal force that shows consideration for the weak." He then explained his idea of forming a new party comprising doves and liberals. He said the new party should: 1) implement policies worked out on the basis of fairness and equality; 2) respect the peace concepts of the constitution, not seek to make Japan a military power, yet make nonmilitary contributions to the international community; and 3) exercise prudence in dealing with the issue of Japan becoming a permanent member of the UN Security Council.

After hearing what Takemura had to say, Murayama said: "I agree to form a new party if it is formed based on such ideas," indicating that the SDPJ would work together with Sakigake to form a new party.

In a related development, Takemura, appearing on an Asahi Television debate program on 30 July, said: "I would like to have serious discussions with the SDPJ on the premise that (the SDPJ and Sakigake) have almost similar views concerning the future course of Japan." In

this way, he indicated that he would discuss in detail with SDPJ Secretary General Wataru Kubo the plan to form a new party.

On the same day, a senior SDPJ official also said: "I hope for a detailed discussion on the formation of a new party."

In January, the SDPJ and Sakigake agreed to set up a study group composed mainly of Diet members of the two parties as a step toward forming a new party. However, the plan has not been acted upon because of the Hanshin earthquake, unified local elections, and the House of Councillors election.

Nevertheless, following the setback to the SDPJ and Sakigake's poor showing in the recent upper house election, the two parties suffered a sense of crisis that "if nothing is done, a two-party system will be created in which the LDP and the NFP, two conservative parties, will dominate politics."

From this sense of crisis, the SDPJ and Sakigake agreed to form a new party before the "next lower house election."

Kubo Denies Intent To Resign Over Election

OW0408090295 Tokyo YOMIURI SHIMBUN in Japanese 2 Aug 95 Morning Edition p 2

[FBIS Translated Text] Secretary General Wataru Kubo of the Social Democratic Party of Japan (SDPJ) hinted he does not intend to immediately resign from his post over the party's defeat in the upper house election.

In a 1 August interview given to YOMIURI SHIMBUN, Kubo stated: "Normally, I would have to resign (from the secretary general's post) for my responsibility for the party's poor showing in the election. But I wonder if that is really what I have to do right now to take the responsibility. That may be an irresponsible way."

Earlier, Kubo said the SDPJ Central Committee would review the election results in a meeting scheduled for 3 August, and, at that meeting, he would "draw an intelligible conclusion" on his responsibility as the party secretary general.

In the interview, however, Kubo said: "If I refer to my resignation without consideration, that would seriously affect the SDPJ." He added: "I would have taken action much sooner if I were secretary general of an opposition party."

Lower House Dissolution Predicted in Dec

OW0408111095 Tokyo EKONOMISUTO in Japanese 8 Aug 95 Weekly Edition p 18

[Article by MAINICHI SHIMBUN's assistant political editor Takeshi Nishiyama: "Diet Dissolution Likely in December"]

[FBIS Translated Text] The House of Councillors election, which was the first national election held since the reorganization of the nation's political world, has ended in losses for both the Liberal Democratic Party (LDP) and the Social Democratic Party of Japan (SDPJ) and in a big leap forward for the New Frontier Party (NFP). In the part of election from the proportional representation system, the NFP took the largest party's position away from the LDP, thus signaling that the era of the two big conservative parties — the LDP and the NFP — dominating the political arena may be about to begin in this country.

Public opinion polls conducted by various news media before the election had predicted that the NFP would make a considerable gain, but had not predicted it to make such a big gain. There is no doubt that this will have a major impact on future political developments.

If the rates of votes won by the parties in the recent upper house election are applied in a simulation to the next general election, which will be conducted under the new system that combines the single-seat election system and the proportional representation election system, the NFP will win 250 seats or half the total number of lower house seats, and the LDP will wind up with about 170 seats and the SDPJ with about 50 seats.

Of course, different people will be running in the House of Representatives election. Hence, it is inappropriate to compare the lower house election with the upper house election in such a simple manner, but still there will be no question that the ruling parties will now think twice about dissolving the lower house and holding a general election.

The SDPJ is in a particularly serious situation. Murayama will continue to lead the government, but it is difficult to think that the prime minister, who holds the right to dissolve the lower house, will decide to go for a general election, knowing his SDPJ will meet a catastrophic defeat.

A prime minister can exercise his power primarily because he has the power over personnel, thus the power to reform a cabinet, as well as that "heirloom sword" [denkano hoto] — the power to dissolve the lower house. But apparently, he cannot use that sword easily. While the prime minister wants to exercise his power

over personnel in early August, the LDP, which has its party presidential election coming in September, is busy with an ongoing internal power struggle. There is no way for the prime minister to use his sword now, even if he wants to. Given the circumstances, the prime minister also has difficulty keeping power centered around himself.

The chaotic political condition will continue, but if I dare to make a prediction on when the lower house will be dissolved and the general election conducted — the subject with which most are concerned — I would say the Diet will most likely be dissolved in December and the election will be held in January. As far as the LDP is concerned, new leadership will take over after the party presidential election in the autumn. Yohei Kono, deputy prime minister and foreign minister, wants to be reelected as the LDP president. But after the party's poor showing in the recent upper house election, it is difficult to predict he will have his way. Ryutaro Hashimoto, minister of international trade and industry, and LDP Vice President Keizo Obuchi are likely to run against him. New leadership, whoever comes to lead it, will rush to get the party ready for the next general election.

In the area of selecting candidates for the general election, the LDP is now making more progress than other parties, and will speed up the process of the selection.

Meanwhile, for its part the SDPJ will need to come to an agreement on the question of starting up a new party by the fall. Once again, party strategies for the general election will become a central issue. On the other hand, the NFP, which won a sweet victory in the recent upper house election, will become more serious in selecting its candidates for the general election. While all the parties start to run toward the general election in the fall, the LDP and the NFP will come to play the leading roles.

If one takes a look at the government diplomatic schedule, one will notice that there is a major event of the Asian-Pacific Economic Cooperation (APEC) set for mid-November in Osaka. It is difficult to think the Diet can be dissolved and a general election be held before that. The Diet is expected to call special sessions in September and October to deliberate the supplementary budget to deal with national economy, and it is likely that the NFP, encouraged by the results of the recent upper house election, will toughen its confrontations against the ruling parties.

While all this takes place, the diet members will have their minds on their constituencies.

In principle, dissolving the lower house may be a right belonging to the prime minister, but the chaotic political

situation can be resolved only through the dissolution of the Diet and the conduct of the general election. When all the political conditions are considered, it looks probable that the lower house will be dissolved in December.

Export Rules on Nuclear Materials To Tighten

OW0308140495 Tokyo KYODO in English
1352 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — The Ministry of International Trade and Industry (MITI) said Thursday [3 August] it will tighten export restrictions on certain types of equipment which may be used in nuclear, chemical or biological weapons.

MITI will revise its export trade control ordinance to cover 10 new items for export restriction in line with an international consensus on nuclear nonproliferation moves, ministry officials said.

They include manufacturing machines for uranium tri-oxides and other nuclear-related chemicals and equipment which may be applicable to the development of chemical weapons.

The ministry's plan will be officially approved at a cabinet meeting Friday. The new regulations will be effective from Aug. 23, they said.

New Air Route Agreed With New Zealand

OW0308121995 Tokyo KYODO in English
1155 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Japan and New Zealand agreed Thursday [3 August] to open a new air route between Fukuoka and New Zealand in late October, Transport Ministry officials said.

The ministry said civil aviation authorities of the two countries agreed to two round-trip flights a week between Fukuoka in Kyushu and a destination in New Zealand which has yet to be decided. Wellington, Christchurch and Auckland are the candidate destinations.

They also agreed to boost to four from three the number of weekly flights between Kansai International Airport in Osaka and Christchurch via Auckland.

Isuzu Motors Comeback With President Seki Noted

952A0587A Tokyo NIKKEI BUSINESS in Japanese
5 Jun 95 pp 32-35

[Article by Shoichi Terayama]

[FBIS Translated Text] The man who influenced top shareholder GM and achieved "withdrawal" from pas-

senger cars, aims for resumption of dividends by combining drastic measures and emphasis on worksites

The March 1995 term financial statement published on 26 May by Isuzu Motors had the effect of once again impressing one of a rehabilitation that was proceeding at a speed that exceeded expectations.

First Record Profits in 16 Terms

This March 1995 term, which became a five-month irregular settlement due to the change in settlement terms, became a record-breaking one for the first time in 16 terms when converted to 12 months. It saw both current profit, originally estimated to be 5 billion yen, reach 13.1 billion yen due to the favorable performance of large trucks, and operating profit, expected to be 6 billion yen, expand to 13.8 billion yen.

Accompanying the withdrawal from passenger car production, the structural improvement loss that had posted a total of 18.668 billion yen by the October 1994 term was finally reduced to zero. That was also evidence that Isuzu's passenger car production, which boasted of more than a 70-year history, came to a close both in name and in deed.

Says President Kazuhira Seki, "We still have not been able to resume dividend distribution, and it is probably too soon for me to say too much. All I can say is that finally we were able to turn a profit."

From July 1993 until November 1994, successive model changes were made in the small truck "Elf," the mid-size truck "Forward," and the large truck "Giga." Although a response could be felt by their capacity as products, because an unmanaged loss of 30.6 billion yen is remaining at the present stage, Isuzu still has not let down its cautious stance.

Even so, Isuzu admits that its original belief was that abandoning production of passenger cars would bring about a rapid recovery in business results.

"After assuming the post of president in January 1992, I immediately resolved to discontinue production of passenger cars. Despite the fact that the model change of the new Gemini was nearly 80 percent complete and there was even a possibility of 40 to 50 billion yen, including production equipment, etc., going down the drain, I had no doubts."

Although Isuzu's passenger car business produced hit cars in spurts, such as the "Gemini," it had never managed to make it into the black ink even once and the actual situation each year was that deficits in excess of 30 billion yen were generated.

In addition to that is the high-cost constitution that Isuzu possessed structurally, which guaranteed a surplus could not be realized no matter how much they produced, compounded by the fact that excessive investment was made in its U.S. plant, etc., so this invited a situation that in the October 1991 term led to a current deficit of 48.383 billion yen.

The word "if" is forbidden in management, but if there had not been the decision to halt passenger car production in December 1992, it is hardly necessary to point out again that, far from there just being a major shift in the rehabilitation schedule, it could have led to a crisis in Isuzu's continued existence as a firm.

Isuzu would have to cut what should be cut and focus its limited resources on its forte in field centered on trucks. After stopping the chronic deficit that accompanied passenger cars, the structural problems of the high-cost constitution would be cleared up. When one sums up the rehabilitation of Isuzu carried forward by President Seki at the helm, since assuming his post in January 1992, this would seem to be the natural conclusion.

However, history has proven just how difficult this matter of course decision was. Says J.W. Chai, vice president of Itochu Corporation who is also currently part-time general manager at Isuzu and has known President Seki since he was in his early 30's, "Once Seki, who had worked in the area of financial affairs and planning, became aware of Isuzu's predicament, which is hard to discern from the outside, he has been in anguish. While in a position of having to create plans in keeping with the inclinations of previous presidents, he has taken pains to surreptitiously include his own ideas in order to keep from somehow delaying the problem."

President Seki assumed his post at the worst possible period when Isuzu was on the verge of ruin. It was plain from anyone's perspective that in order to turn things around it would be necessary to take drastic measures. In order to commence with reform accompanied by sacrifice that had secretly been coming to a head during the long years since his staff period of the previous president and his predecessor, it could be said that this round of worsening business results presented a never-to-be repeated opportunity.

Previous President Kazuo Tobiyama, currently in an advisory role, reflects on the situation at the time as follows: "During the period in which I was president, the three passenger car models up to then were integrated into one. I think that young Seki, who was in charge of planning under me, had been closely watching things and understood what that signified. Even so, just like the presidents prior to me, because I did not want to

withdraw during my tenure, this tough decision got placed on young Seki's shoulders."

What Seki Said to Persuade GM

President Seki, having hardened his resolve that escape from the high-cost constitution would be impossible while continuing to build passenger cars, first moved to persuade top shareholder General Motors (GM) of the United States, which held 37.5 percent of the stocks. This was necessary because at the time, Isuzu was supplying GM with 65,000 passenger cars annually, and that was also one reason for Isuzu's not being able to pull out of passenger car production.

Says a certain leader at GM, "The reputation of the small Isuzu cars that GM was selling through its Geo channel was favorable. It would be a falsehood to say we were influenced by the desire to use Isuzu in the sense of a subcontractor."

The opportunity to overcome that state of affairs came when President Seki confronted 20-year acquaintance GM president and CEO John Smith, who was grappling with the difficult question of the regeneration of that massive organization during the same period, with the following telling phrase head on:

"Using Isuzu as a subcontractor for supplying small cars will not even be to GM's advantage. Instead, for Isuzu to specialize in trucks and diesel engines that GM does not have would become mutually beneficial."

Subsequently, President Smith, who endorsed this idea, reiterated the statement that "Isuzu is the nucleus of the GM Group's trucks and diesel engines in Asia," and gave all-out support to the rehabilitation of Isuzu. Clearly illustrative of the position of overcoming their difficult circumstances by cooperation with a singleness of purpose is Isuzu's transferring the pickup truck that it was producing at its Subaru Isuzu Automotive (SIA, located in Indiana) to a GM plant and SIA's devoting itself to production of the highly profitable RV (recreational vehicle) "Rodeo," among others.

If GM could be persuaded, the banks, according to the head of a certain metropolitan bank that has dealings with Isuzu were of the mind that, "We had viewed passenger cars as a problem in the beginning because they would not become profitable, so this provided a convenient reason to stop." Across the ocean, his friend John Smith took all criticism on himself and resolutely carried out reductions in personnel, and steadily is achieving results in turning GM around. While casting a sideways glance at this, Seki spurred on his own style of management of "cutting what should be cut and focussing resources in areas that are our forte."

For instance, in order to shore up domestic sales of passenger cars, there were the dealers that had continued to expand. Junior Managing Director Yoshiro Tsubaki in charge of sales explains, "The ultimate aim" of the dealer's strategy basis "is to organize into regions that will handle two channels and regions that will handle everything from large trucks to small as well as RV's in response to the actual circumstances and market volume." Just as he said, in ten regions, including Tokyo, Osaka, etc., there materialized mergers of sales companies one after another.

Even more severe reform was made of parts makers which also had become a factor in high costs. As the head of one affiliated parts maker explains, "Isuzu's parts procurement announcements, that do not make any bones about passing over affiliates and expanding purchases from abroad, are not being done half-heartedly."

Restructuring of Parts Makers on Financial Front as Well

"If they stick a quotation in front of you saying that they can get it 30 to 40 percent cheaper by buying it from abroad, there is no other choice but to agree to reducing the cost. Because Isuzu is also purchasing from nonaffiliated companies we will reduce our parts costs too even if it means cutting off our affiliates."

In May 1994 there was a merger with affiliated frame manufacturer Shatai Kogyo of Kyushu. At the end of November it transferred all stockholdings of Aitesu, a subsidiary producing seats for automobiles, to major independent parts maker Nippatsu and expedited restructuring of nearly 60 affiliated parts makers from the aspect of capital as well.

Even those with which it had cooperative tie-ups were no exception. Concerning domestic sales, it for all intents and purposes dissolved the cooperative relationship it had with Yanase and Fuji Heavy Industries and sold stocks of Suzuki with which it had a capital relationship as a member of the same GM Group.

In exchange, in December 1992 beginning with the agreement to mutually supply Isuzu RV's and Honda Motor passenger cars in the Japanese and U.S. markets, it has determined in rapid succession to mutually supply small trucks, microbuses, etc., with Nissan Motor, Nissan Diesel, Nissan Shatai and to supply diesel engines to Mazda.

Having cut passenger car production, relations with dealerships and affiliated parts makers where Old Boys from Isuzu are present, and partnerships with which past presidents had formed a relationship, it is certainly unavoidable that President Seki's exhaustive "cutting" would incite ill feeling.

An Old Boy of senior age who has felt the worrying effects of rehabilitation, having been permanently assigned to go from Isuzu to a related firm, speaks frankly. "I have disliked Seki for a long time. There are others around who talk about his being too unfeeling. While I can understand the need for structural reform, because he was also pivotal in decisionmaking, he could not be considered exempt from responsibility for the change to a deficit."

Naturally, criticism reaches the ears of the man himself both directly and indirectly. Although it does not tell of much, it seems it was not just once or twice that he has received threatening mail. Nevertheless, it is not as though he could leave the final decision to others. A good example is the procurement list at the time of changing to foreign parts procurement. President Seki uncharacteristically gives vent to his true feelings. "Because I have been at Isuzu for a long time, faces would immediately come to mind as to which old guy at which part maker will be hurt when the decision is made to buy such and such a part overseas. It was for that very reason that no matter how small a part is involved, I have to put my stamp on it and take the ultimate personal responsibility."

A cool-headed impassive rationalist. At least to the extent that it concerns decisionmaking at the home office, the frank sentiment expressed by the Old Boy above could be said to have hit President Seki's distinctive qualities on the mark. However, it is not very well known that on the front lines of production, sales, and development, he has another face that reveals a sentimental side.

Organizational Walls Tumble With Emphasis on Dialogue with Worksites

Deputy chief of the small car manufacturing department, Shigeki Aoki, who worked his way up from his job on the line at the Fujisawa Plant, had the experience of going out drinking with the company president for first time after the inauguration of the Seki system. It was a drinking party with a gathering of about 10 people and he remembers being strongly impressed by the fact that the president's office was the one to change its schedule to suit the schedule of the plant side.

"The first time we met, I recall eagerly discussing one thing and another about personnel, etc. But when I reflected on it later on, I thought, 'that was not the sort of topic I should have discussed with such a busy president,' and kind of regretted it. So the second time, we kept the conversation focussed on various other things, such as it's being bad to drink excessively or how important taking care of one's health is."

The dialogues that President Seki has had with more than 1,000 people are almost innumerable. Included in those is the laborious persuasion of four to five engineers at a time, of a total of 300, who were to be directly influenced by the cessation of development of passenger cars, repeating discussions with the key men. As a result of this, the most feared outcome—an exodus of engineers to other passenger car makers—was averted without losing even one person.

At the dealership Tokyo Isuzu Motors (located in Tokyo's Chiyoda Ward), President Seki has unexpectedly appeared three or four times this year alone. Says Tokyo Isuzu Senior Managing Director Yasuo Kubota, "Although there are times we meet while eating and drinking out somewhere, we also have some rather in-depth discussions."

It is not that the dialogues themselves are vitally important. Instead, how the people on the lines perceive the position in which Isuzu Group as a whole finds itself and how to put it into actual practice will be the greatest key that will influence the speed of reform.

It was in that sense that in February 1994, the midsize truck "Forward," which underwent the first full model change in nine years, could be called a symbolic case where the walls separating production, development, and sales were torn down, and development was performed in an efficient manner.

In July 1992, things were in the stage where the research prototype vehicle was not yet completed. Under Senior Managing Director Takeshi Inoo, who was in command of development, chief staffer Satoshi Kotori of the product planning office appeared with a countenance that indicated he had made up his mind, and broached the matter in the following way.

"The objective with the Forward this time is to build a well-made vehicle rather than to keep secrets. That being the case, I respectfully recommend that the prototype should be run on the line at the Kawasaki Plant. I have already discussed with Plant Manager Naoe about freeing up the mass production line for one hour."

Ordinarily, even if production engineers were to express an opinion about participation in design at this stage, it would not be conceivable to do anything like producing a research prototype vehicle on the lines. As a rule of thumb, the usual schedule would be to attempt line production after the mass production prototype was built, which would be nine or 10 months after this point.

Yet if it could be realized, it would mean drawings that are better suited to the lines at the plant could be created more efficiently, but Senior Managing Director Inoo lacked confidence in such a method's being able

to be implemented. In the end, after having difficulty making a judgment and calling President Seki, the single phrase of, "Why not? Give it a shot", brought this trial to reality, and it succeeded in reducing the number of drawing changes at the production stage to one-fifth the previous number.

So that the development group would not succumb to self-conceit, cooperation with the front lines of sales was carried out systematically. At the stage of coordinating the initial conception of development, 39 people in the section manager class, who would become pivotal in the team, were dispatched to the sales company for two full months. By closely connecting sales, service, and management divisions, etc., with the front lines of sales, raw opinions were collected. This was done so scrupulously that in order that the proposals that the managers had learned on site would not be squelched by superiors, the department manager class was also sent to dealers once every two months.

After the research prototype was completed, conversely, seven people in charge of service and top executives at the dealerships gathered every two months to stay at Isuzu's development companies and hit development engineers with 800 specific proposals, such as, "When making a left turn at night, visibility is low on the left side." Ultimately, 85 percent of the proposals were utilized in the product.

Needless to say, joint development with parts makers has become much stronger than before. Participation in initial drawings by engineers from parts makers, which had been limited to 10 companies or less out of fear of leaks of new car information to the outside, was expanded to a scale that includes several tens of companies. The arrangement was changed so that those companies could access all the drawings and not just drawings of the parts they would be producing.

Managing Director Motoo Suzuki, who is in charge of development of trucks and buses at Mitsubishi Motors, heard of this metamorphosis and expressed the following sentiment.

"That is certainly a wonderful way of doing things, but it would be difficult here. For instance, even if we wanted to send a development team to the dealerships, we could not ignore minus points that include confusion at the dealers, and the fact of having to be shorthanded at the development worksite, etc. I think that in Isuzu's case, due to the very fact that it was a time of such a feeling of crisis, a new way of doing things was immediately accepted."

The fundamental undercurrent of the rehabilitation of Isuzu is a "shared feeling of crisis of the group as

a whole." First there was the shift to a 48.3-billion-yen operating deficit followed by the pullout from passenger car production. There are many employees whose opinion could be summed up as follows: "When I heard about officially quitting manufacture of passenger cars, I was again surprised, and thought, 'things have gotten this bad for us too.'"

Resumption of Dividends Contingent on Continued Profits Next Fiscal Year Also

About the time that the groundwork of understanding Isuzu's predicament at the worksite had been prepared, because President Seki's blueprint for rehabilitation was skillfully superimposed, it was possible to get through on schedule until the underlying tone of surplus became established.

Be that as it may, even now there is no change in the continuation of the steep ride toward resumption of dividends. Isuzu estimates that, based on a 90-yen-per-dollar exchange rate, profit in the March 1996 term will be 30.0 billion yen, which is actually slightly below the previous term. Although it aims to resume dividends in the March 1997 term, the minimum condition for a 10 percent dividend would be continuation of profits in the current period of about 20.0 billion yen.

Another urgent need is reducing the amount of interest-bearing debt. According to a banking source, although a reduction is being made from 390 billion yen in the October 1994 term to 330 billion yen in the March 1996 term, "because total assets are 931.4 billion yen, about 200 billion yen would be a proper level." Letting down one's guard now is forbidden.

Although the U.S. plant, SIA, has finally managed to substantively achieve a surplus, its annual net profit is seen as being about 1 billion yen at the most. There is no expectation of an eradication of its accumulated loss of several tens of billion yen. Another cause of concern of late is that its joint venture partner Fuji Heavy Industries has reduced production.

President Seki is unwavering in his determination that "nothing can be accomplished by taking credit at others' expense. I am prepared to cut off the shackles and take the blame." Days of unbearable worry will continue toward resumption of dividends and subsequent complete revival.

Survey: Small Firms' Confidence Worsening

OW0308142395 Tokyo KYODO in English
1401 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Business confidence among smaller firms worsened for

the second consecutive quarter in the April-June period, Japan Finance corp. for small business said Thursday [3 August].

According to a survey conducted by the corporation, affiliated with the Ministry of International Trade and Industry, the business confidence index stood at minus 15.4, down 6.3 points from the January-March quarter.

The index compares companies which think the business situation has improved from the preceding quarter with those that say it has worsened.

For the July-September period, the corporation said the index will deteriorate further to minus 22.2, citing a fierce sales competition with imports due to the strong yen as a main factor behind the bleak prospect.

The respective indexes for sales/orders and profits for the April-June quarter also worsened at minus 9.3 and minus 24.2, compared with the previous quarter's minus 4.7 and minus 19.4, the corporation said.

The survey was conducted June 30 on 12,543 firms with which the corporation has business dealings. Of these, 48.9 percent responded.

Toyota To Shorten Car Distribution Period

*OW0308134795 Tokyo KYODO in English
1309 GMT 3 Aug 95*

[FBIS Transcribed Text] Nagoya, Aug. 3 KYODO — Toyota Motor Corp. said Thursday [3 August] it will shorten the period between receiving an order for a car and its delivery.

The auto giant has been studying for two years how to shorten the distribution period to boost its operating efficiency and meet customers' demands for quick delivery, company officials said.

For instance, Toyota used to receive orders from auto dealers three times a month, but this has increased to four times.

At the car assembly plants, Toyota's auto parts supply system has been enhanced to meet sudden order changes concerning color and equipment options, they said.

Currently, it takes an average of around 20 days for a car to be delivered to a customer after ordering if there is a model in stock, and 32 days if there is not.

A Toyota official said, "We want to halve the distribution period, and will release by the end of this year the results of our efforts to shorten the distribution period."

North Korea

U.S. Troop Removal 'Key' to Peace in Korea

*SK0408103495 Pyongyang KCNA in English
1019 GMT 4 Aug 95*

["There Is No Change in Our Stand" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — There is no change in our stand related to the establishment of a peace-keeping system. The United States must clearly know that if it persists in provoking the dialogue partner with a negative stand, we will adopt a countermeasure as we have already clarified, stresses NODONG SINMUN in a commentary today.

Recalling that some time ago, the U.S. authorities called the South Korean authorities to the United States and held a confab with them, seriously getting on the nerves of the DPRK, the analyst of the paper says:

At the confab, the South Korean authorities begged for the U.S. forces' permanent occupation of South Korea and prattled that they would make a "proposal" around August 15, crying for "building relations of allies" and "North-South dialogue."

The U.S. authorities, exalting it to the sky, reaffirmed they would keep the U.S. troops in South Korea as long as "they are needed" and the South Korean people "want" and called for "adopting a peace agreement between the North and the South of Korea."

This proves that the United States is still resorting to the one-sided policy toward South Korea and seeking a political and military confrontation with the DPRK.

The U.S. authorities tried to put up the South Korean authorities as the party directly responsible for the DPRK-proposed establishment of a peace-keeping system in an attempt to shirk their responsibility for it.

Just as the United States is legally responsible for the Armistice Agreement, so it cannot evade its responsibility for establishing a peace-keeping system on the Korean peninsula.

The Korean war was a war between the DPRK and the United States and, accordingly, the two are parties responsible for the issue of establishing a peace mechanism on the Korean peninsula. The U.S. administration admitted it by erecting a "monument to the Korean war."

Ridiculous is the foolish attempt of the South Korean authorities to poke their nose into this issue even if they are not a signatory to the Armistice Agreement nor are legally responsible for it.

They are nothing but a colonial puppet who has no real power. It is the height of folly to try to poke their nose into the establishment of a peace mechanism.

Through their shameless acts, the South Korean authorities revealed that they are ruffians who have no elementary common knowledge of international law or usage and who do not know their position.

To remove the hostility between the DPRK and the United States and pull the U.S. troops out of South Korea is a key to ensuring detente and peace on the Korean peninsula. This must be discussed and settled only by the DPRK and the United States in view of their power and responsibility to solve this and in view of the spirit of their agreement on joint efforts for denuclearisation, peace and security on the Korean peninsula.

The United States must discard the anachronistic conception of confrontation and the war psychology and respond to the DPRK-made proposal for establishing a peace-keeping system without delay.

Kim Yong-sam Compared to Hitler

SK0408103195 *Pyongyang KCNA in English*
1024 GMT 4 Aug 95

["'Civilian'-Veiled Vicious Murderer" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — It was reportedly disclosed that with a view to winning in the "presidential elections" in 1992 the traitor Kim Yong-sam framed a plan to let members of a special unit of the South Korean puppet army disguise as the Korean People's Army and bring about an incident along the Military Demarcation Line to create tensions and incite consciousness of a crisis.

His attempt to rig up a shocking "incident" and launch into an anti-communist smear campaign against the northern half of Korea under this pretext reminds us Hitler of fascist Germany who invented a raid on the Gorlitz broadcasting station and ignited the Second World War on this pretext, a news analyst of NODONG SINMUN today says, and continues:

Hitler framed the plot against other country, other people, but the traitor Kim Yong-sam planned to cause an incident against the fellow countrymen at the sacrifice of soldiers of the same blood. What a vicious murderer and human butcher he is.

It is as clear as noonday that the Kim Yong-sam murderer, who was trying to foster antagonism and confrontation within the nation through an unimaginable heinous incident, may hatch up such a plot, if necessary,

to ignite a war against the northern half of Korea and shift the blame on to the North.

All the stark facts prove that as long as such a murderous traitor as Kim Yong-sam remains within the nation, the South Korean people cannot evade disasters, nor can comfort of the nation and peace of the country be guaranteed.

The Kim Yong-sam group should clearly see that they will get nothing from their foolish smear campaign against the North, but only betray their foulness and precipitate their ruin.

CPRF Spokesman Urges Release of Pak Yong-kil

SK0408041995 *Pyongyang KCNA in English*
0414 GMT 4 Aug 95

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — The South Korean authorities must discard the outdated conception of confrontation within the nation, immediately stop persecuting Mrs. Pak Yong-kil and unconditionally release her.

A spokesman for the Committee for the Peaceful Reunification of the Fatherland [CPRF] made this demand in a statement released on August 3 accusing the South Korean rulers of arresting Pak Yong-kil, above 70, who visited Pyongyang to pay reverences to the bier of the great leader President Kim Il-song before returning to South Korea through Panmunjom.

The spokesman said:

Their fascist persecution of the old woman is an unpardonable anti-ethical, anti-reunification crime in view of the beautiful customs and etiquette of the Korean nation and in view of the spirit of national reconciliation and unity.

The widow of Rev. Mun Ik-hwan visited the Kumsusan Memorial Palace to make reverences to President Kim Il-song, who is preserved in state, on his first anniversary. This was a very righteous act motivated by the intimacy between the president and the reverend.

In Korea, which is famous as a land of beautiful manners in the east from olden times, neighbours console, give relief and express condolence to each other when there happens something unhappy.

In violation of this traditional etiquette of the Korean nation, the "civilian"-veiled fascists of South Korea leveled guns at people in the North and suppressed mourners in the South during the mourning period last year. Far from apologizing to the nation for the crime, they try to prosecute Pak Yong-kil, who visited the bier of President Kim Il-song to express reverences. This is one more crime.

Pak's visit to Pyongyang is an issue of etiquette and ethics, rather than something related to politics and social system. Her case is quite different from other South Koreans who visited the North in the past.

The South Korean authorities' persecution of Pak Yong-kil is a serious issue which is directly related to the DPRK. It is not confined to her alone.

While calling for dialog with the North, they "incriminate" the person who visited the dialog partner, the North. Their behavior is self-contradictory and unacceptable to anybody.

By arresting the presbyter, Pak Yong-kil, on the charge of visiting the North, they totally denied dialog and deprived themselves of the right to talk about dialog.

If they prosecute Pak Yong-kil despite our warning, their act will have an irrevocable effect on North-South relations and they will be blamed for it.

Groups Urge Release of Political Prisoners

*SK0408121495 Pyongyang KCNA in English
1037 GMT 4 Aug 95*

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — Representatives of 12 dissident and religious organizations including the National Alliance for Democracy and Reunification in South Korea called a press conference in Seoul on August 2, and exhorted the authorities to set free, on the occasion of the 50th anniversary of national liberation (August 15), 465 prisoners of conscience arrested while fighting for social democratization and national reunification, and immediately withdraw warrants for the arrest of democrats, a Seoul-based radio report said.

And more than 50 members of a dissident organization under the Kwangju-South Cholla provincial joint measure committee for bringing the culprits of the May 18 incident before the court on August 1 occupied the streets in front of the South Cholla provincial office and staged a long-term sit-in struggle in protest against the puppet prosecution's dismissal of a complaint against the murderers of Kwangju citizens.

International Committee Supports Festival

*SK0308212995 Pyongyang KCNA in English
1500 GMT 3 Aug 95*

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — Secretary General of the International Liaison Committee for Reunification and Peace in Korea Guy Dupre [name as received] said in a press statement on July 28 that his committee fully welcomes and supports the initiative to hold the August 15 grand national reunification

festival marking the 50th anniversary of the liberation of the motherland.

The committee decided to send its delegation consisting of presidium members including Marshal Francisco da Costa Gomes, ex-president of Portugal, and delegates of regional organisations under it to the festival, he said.

He noted that the delegation of the committee and regional delegates under it would participate in different events during the festival and hold a meeting of international solidarity for the reunification of Korea.

He expressed the hope and belief that the delegation's participation in the festival would make the festival resplendent and stir up the aspirations of the whole Korean nation after national reunification.

Korean Human Rights Symposium Held in Japan

*SK0208151195 Pyongyang KCNA in English
1509 GMT 2 Aug 95*

[FBIS Transcribed Text] Pyongyang, August 2 (KCNA) — A symposium was held in Tokyo on July 26 on the 50 years after the end of the war and the human rights of Koreans in Japan, a KNS [Korea News Service] report from Tokyo said.

At the symposium, Japanese lawyers, Seigichi Ueda and Shigeru Tokoi, made reports on the history of the legal status of Koreans in Japan, the present situation and the tasks for it.

Prof. Takasa Narishima and Choe Il-su, chairman of the Association of Human Rights of Koreans in Japan, addressed the symposium, which was held in the form of questions and answers.

A declaration was adopted at the symposium.

It demanded that the legal status of Koreans in Japan be improved on the 50th anniversary of the end of the war.

It urged the Japanese Government to do its best to normalise relations with the DPRK, renounce discrimination against Koreans in Japan and immediately take measures for the improvement of their legal status on this occasion.

Meeting Shows Solidarity With Cuban People

*SK0408114595 Pyongyang KCNA in English
1034 GMT 4 Aug 95*

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — A friendship meeting was held on Thursday at the Korea-Cuba Friendship Pyongyang Moranbong Senior Middle School No. 1 in the month of solidarity with the Cuban people.

Invited there were Cuban Ambassador to Korea Jose Ramon Rodriguez Varona and embassy officials.

Kim Yong-su, vice-chairman of the Committee for Cultural Relations With Foreign Countries, and other officials concerned, teachers and students of the school were present at the meeting.

The participants were shown round educational facilities of the school and saw an art performance given by students.

They conversed with each other, deepening the feelings of friendship.

Kim Yong-nam Sends Zairian Counterpart Message

SK0408115395 Pyongyang KCNA in English
1038 GMT 4 Aug 95

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — Vice-Premier and Foreign Minister Kim Yong-nam sent a message of greetings to Kamanda wa Kamanda upon his appointment as Zairean Deputy Prime Minister and Foreign Minister.

The message sincerely wished him great success at his new post and expressed the belief that the friendly and cooperative relations between the two countries would continue developing on good terms.

Kim Chong-il Receives Gift From Nepalese Group

SK0308213195 Pyongyang KCNA in English
1505 GMT 3 Aug 95

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — The great leader Comrade Kim Chong-il received a gift from the government information and communications delegation of Nepal on a visit to Korea.

The gift was handed to an official concerned by Pradip Nepal, minister of information and communications.

Receives Note From WFTU Group

SK0408111595 Pyongyang KCNA in English
1002 GMT 4 Aug 95

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — The great leader Comrade Kim Chong-il received a letter of thanks from the delegation of the World Federation of Trade Unions [WFTU] upon its departure.

The letter dated July 30 expresses heartfelt respects and condolences to Comrade Kim Chong-il in the name of the WFTU on the first death anniversary of the great leader President Kim Il-song.

It further says:

The passing away of Comrade Kim Il-song is a big loss not only to the Korean people but also to the work-

ing people the world over who are struggling against poverty and unemployment and for better livelihood, social progress, freedom, global independence and peace.

His regretful death is a great loss to the WFTU. His life, idea and teachings will be immortal.

The letter expresses the hope that the WFTU will as ever get support and valuable teachings from Comrade Kim Chong-il and relations of effective and significant co-operation will be made between the General Federation of Trade Unions of the Democratic People's Republic of Korea and the WFTU.

It sincerely wishes Comrade Kim Chong-il good health and a long life.

Remembers Kang Pan-sok

SK0408112195 Pyongyang Korean Central Television Network in Korean 1100 GMT 31 Jul 95

[FBIS Translated Text] On the occasion of the 63d anniversary of the death of Mrs. Kang Pan-sok [Kim Il-song's mother], who was an indomitable fighter and an outstanding leader of the women's liberation movement in our country, party and government cadres, working people from all walks of life, and soldiers of the Korean People's Army laid flowers before the grave of Mrs. Kang Pan-sok at Mangyongdae today. A wreath sent by the great leader [yongdoja] of our party and leader Comrade Kim Chong-il was laid before the grave. Wreaths from the Central Committee of the Workers Party of Korea, the DPRK Central People's Committee, and the Administration Council were also placed there with the wreath-laying song.

A wreath jointly sent by the departments of the Administration Council, central organs, Pyongyang City, and Mangyongdae District, as well as wreaths from the People's Army units, education organizations, and farms, followed suit.

Participants of the wreath-laying ceremony paid silent tribute to Mrs. Kang Pan-sok, an indomitable fighter and an outstanding leader of the women's movement in our country. The participants warmly cherished the memory of the brilliant life and immortal achievement of Mrs. Kang Pan-sok, who gave birth to and brought up the great leader Comrade Kim Il-song, upheld him as the great sun of the nation, and unhesitatingly sacrificed her family and life in the struggle to achieve the revolutionary cause for the independence of the country and freedom and liberation of the people.

Thanks Party Functionaries

SK0408111995

[FBIS Editorial Report] The following is a compilation of news reports from Pyongyang Korean Central Television Network in Korean on Kim Chong-il's thank you messages to party functionaries who volunteered to relocate in socialist farms.

At 1100 GMT on 26 July, the television carries a one-minute report on the meetings to convey Kim Chong-il's thank you messages to Yi Nung-hui, primary level party secretary of the Urban Construction Unit of Taedonggang District, and Im Myong-kun, primary level party cell secretary of the Waterwork Management Office, for their resolve to resettle in socialist farms with their families. Speakers at the meeting said that it is natural for "party functionaries to advance to rural areas and make their humble contribution to strengthening the socialist rural front and producing more rice."

Pyongyang Korean Central Television Network in Korean at 1100 GMT on 29 July carries a two-minute report on Kim Chong-il sending thank you messages to Kil Kun-ho, secretary of the primary level party branch of the Combined General Bureau of the Shoe Industry, and Kang Chong-kun, Choe Hang-nim, and Kong Taek-son—functionaries of Pyoktong County Party Committee—for deciding to move to rural areas with their families. At meetings to convey the appreciation messages, speakers said: "It is a duty of the fighters and disciples of the great leader [suryong] to advance to a difficult and hard sector and devote everything to make our country and fatherland prosperous."

Pyongyang Korean Central Television Network in Korean at 1100 GMT on 31 July carries a one-minute report on meetings to convey Kim Chong-il's thank-you messages to Choe Pong-nok, member of a department of the Nampo Municipal Party Committee, and Kim Sang-ho, member of a department of the Sakchu County Party Committee, for volunteering to move to socialist farms. Speakers at the meetings vowed to "achieve bumper crops every year" in order to "return the general's love and faith with loyalty."

Kim Chong-il's Work on S&T Commemorated

SK0308050995 *Pyongyang KCNA in English*
0446 GMT 3 Aug 95

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — Today is the 10th anniversary of the publication of the great leader Comrade Kim Chong-il's famous work "On the Further Development of Science and Technology [S&T]."

Comrade Kim Chong-il in his speech "On the Further Development of Science and Technology" before senior officials of the Central Committee [C.C.] of the party on August 3, 1985, clarified the significance and importance of the development of science and technology and gave a perfect exposition of all theoretical and practical questions in rapidly developing science and technology in keeping with the developing reality of the country.

A meeting marking the 10th anniversary of the publication of the work was held in Pyongyang on Wednesday.

Choe Tae-pok, alternate Politburo member and secretary of the C.C., the Workers' Party of Korea, in his report said that the work is a great programme which consummates the chuche-oriented idea, theory and policy of science and technology of the great leader Comrade Kim Chong-il who resolutely defends and exalts the immortal exploits of leadership of the respected leader Comrade Kim Il-song; it is a ideological and theoretical weapon for socialist and communist construction and an encyclopedia for the technical revolution.

He said that Comrade Kim Chong-il in his work unfolded a grandiose plan to develop the science and technology of the country on to the world level in a shortest time and had wisely led the great and worthwhile struggle to carry it out.

Called 'Important Guideline'

SK0308105695 *Pyongyang KCNA in English*
1030 GMT 3 Aug 95

["Highly Important Work Giving Powerful Impetus to Development of Chuche-based Science and Technology" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — NODONG SINMUN today carries an article contributed by Choe Hui-chong, chairman of the State Commission of Science and Technology, on the 10th anniversary of the publication of "On the Further Development of Science and Technology", a famous work of the great leader Comrade Kim Chong-il (August 3, 1985).

The article says:

The work is a highly important guideline which enables people to firmly defend the Korean-style socialism centred on the popular masses and further glorify it by keeping a steady upswing in the development of science and technology to suit the realistic requirement of the developing revolution and socialist construction.

Respected Comrade Kim Chong-il, basing himself on a scientific analysis of the lawful demand of the building of socialism and communism and the features of the

development of socialist society at present, made a classic formulation of the mission, role and position of science and technology and indicated the tasks to develop science and technology and ways for their materialisation.

Over the past 10 years since the publication of the work Comrade Kim Chong-il has wisely led the work to bring about a new turn in the development of science and technology.

He made sure that the question of pushing ahead with the technical revolution was discussed at plenary meetings of the Central Committee of the Workers' Party of Korea, saying that the viewpoint and attitude toward science and technology are precisely the viewpoint and attitude toward the revolution and that to neglect science and technology means to abandon the revolution.

Giving on-the-spot guidance to scientific research institutions on several occasions, he gave concrete teachings on developing first of all some scientific and technological sectors including electronics, heat and biology engineerings and preferentially ensured all the conditions.

In order to enhance the responsibility and role of the scientists and technicians who are in charge of the development of science and technology, he convened a national meeting of scientists and a national meeting of intellectuals and further lifted their pride and self-confidence. And he saw to it that the reeducation system was established and the training scale increased at doctoral institutes and postgraduate research institutions so as to improve the quality of scientists and technicians as soon as possible.

Proud achievements have been made in the development of science and technology under his wise guidance over the work of science and technology.

New mineral resources have been found out by new modern prospecting means and methods, the technology of their processing and using developed to remarkably expand the proportion of dependence on domestic raw materials, new fuel and power resources developed and rational methods of development invented so as to satisfy the growing needs of the national economy for fuel and power.

Through a powerful drive to make machines precise, large, high-speed and automatic, large and special machine tools are produced at home so that the national economy may be modernized in our own way. And big efforts have been directed to the development of the electronic industry to lay solid foundations for its rapid development and a great advance has been made in the work to develop new scientific and technological sectors.

The ranks of scientists and technicians have been rapidly increased to suit the trend of the development of modern science and technology, their qualitative level considerably enhanced and scientific research institutions firmly built up.

Symposium Discusses Kim Chong-il's Work

SK0308135395 *Pyongyang Korean Central
Broadcasting Network in Korean*
1100 GMT 27 Jul 95

[FBIS Translated Text] A central symposium on the great leader [yongdoja] Comrade Kim Chong-il's immortal work "Giving Priority to Ideological Work Is Essential for Accomplishing Socialism" was held at the People's Palace of Culture on the evening of 25 July.

Placed in front of the symposium hall were the portraits of the great leader [suryong] Comrade Kim Il-song and the great leader [yongdoja] Comrade Kim Chong-il. Slogans reading "Long live the great leader Comrade Kim Il-song!" and "Long live the glorious Workers Party of Korea [WPK]!" were also installed.

Present at the symposium were Comrade Choe Taepok, candidate member of the Political Bureau of the WPK Central Committee and secretary of the party Central Committee; Comrade Kim Ki-nam, secretary of the WPK Central Committee; functionaries of the party, working organizations, and central organs; and reliable propaganda functionaries of party cadre training institutions, science, education, the press, and culture and art.

The symposium began with a discussion by Professor Yi Su-kun, vice president of the Kim Il-song Higher Party School, on the subject the great leader Comrade Kim Chong-il's immortal work "Giving Priority to Ideological Work Is Essential for Accomplishing Socialism" is an immortal library that systematized and synthesized the socialist ideological work.

[Begin Yi recording] Comrades, that Comrade Kim Chong-il, the great leader of our party and people, has published the immortal classic work "Giving Priority to Ideological Work Is Essential for Accomplishing Socialism," which newly completed the socialist ideology and theory, is an historic event that has provided an occasion for strengthening the invincible conviction on the socialist cause among our people and the world's advanced mankind and for endowing a superior ideological, theoretical weapon that ensures its final victory.

The historic 19 June work published by the great general is an immortal, monumental work that marks an historic milestone in advancing mankind's cause for independence in our era by giving profound scientific

answers to fundamental questions on safeguarding, adhering to, and developing the socialist cause.

Correctly answering the fundamental questions arising in adhering to and completing socialism is an imperative and important historic task aroused by our times. This historic task set forth by the era and the revolution could now be carried forth with the announcement of the work by the respected and beloved Comrade Kim Chong-il, a genius of ideology and theory and a prominent leader [yongdoja] of the present time's socialist cause.

The great leader Comrade Kim Chong-il has pointed out: In order to accomplish the socialist cause, we must adhere to ideology by regarding it as most important and give priority to ideological work above all other affairs.

If the socialist idea is considered to be basic, we will triumph, if not, we will go to ruin. In other words, the main idea of the work is that when the popular masses are armed with socialist ideology, and when the bulwark of this ideology is firmly consolidated by giving priority to ideological work, socialism can be defended, consolidated, and developed constantly under any adversity. It is also a creative explanation to the fundamental question that determines the destiny of socialism.

Not only our people, but also the world's revolutionary people who strive for the revival of the socialist movement are embracing the historic 19 June work amid great excitement, and are all rising up in the struggle to carry out the ideas and policies for socialist ideological work. This displays the justness, truthfulness, and extraordinary attraction of the work.

With creative principles and propositions, the great general announced the immortal library of ideological work that extensively systematized and synthesized the ideological work that decides the destiny of socialism. This is another excelled ideological, theoretical achievement that contributed to the development of the socialist idea and the socialist cause.

What is most important about the ideological and theoretical achievements of the great leader Comrade Kim Chong-il, who prepared the immortal library of the socialist ideological work, is that he has perfectly elucidated the ideological, theoretical, and philosophical reasons for giving priority to ideological work in carrying out the cause of socialism.

In his work, the respected and beloved general, by creatively elucidating that the socialist system is a society that is born, developed, and consummated under the guidance of socialist ideology, unlike the capitalist society, has scientifically proven that giving priority to ideological work constitutes an indispensable

requirement in the accomplishment of the cause of socialism.

A socialist system is borne through the struggle of the popular masses, who are awakened by the socialist ideology and solidified and developed only by the activities of the people armed by the socialist ideology. This is the unique ideology on the inevitability of the birth, development, and completion of socialism newly explained by the work. This unique ideology scientifically solved the questions on the basis for socialism to exist and develop, and the fountain of its superiority and might. The unique ideology clearly reconfirmed the profound revolutionary truth that the destiny of socialism depends on how the ideological work is conducted and how people are ideologically prepared.

In his work, the respected and beloved general gave a profound scientific explanation on the ideology on socialism and relations between its economic and material basis. His work exposed one by one the reactionary characters of the criminal maneuvers of the betrayers of socialism, who attempt to introduce capitalist ownership and economic management, ruin the economic and material basis of the ideology on socialism, promote individualism and other bourgeois ideologies, and eventually destroy the socialist system itself. The work widely opened the road for the party of the working class to grasp the ideology as the bedrock, emphasize ideological work, strengthen the superiority and might of socialism by all means, and vigorously accelerate revolution and construction.

The significance of the ideological achievements of the great leader [yongdoja] Comrade Kim Chong-il, who provided the immortal collections on socialist ideological work, is, first, that all questions on the principles of the ideological work to solidify socialism's ideological position have been completely answered like an encyclopedia. The great general fully explained in his work the basic mission and contents of the ideological work based on the profound analysis on the inherent characteristics of a socialist society, the inevitability of its development and completion, and on the scientific and revolutionary nature of socialist ideology. The work also provided a correct guideline for a socialist society to conduct the ideological work with an explicit goal and direction.

With his extraordinary wisdom in ideology and leadership, and profound and scientific insight, the great leader Comrade Kim Chong-il correctly explained the nature of a socialist society and the characteristics of the ideology in a socialist society. Based on the explanation, he explicitly indicated that unifying the entire society with

the socialist ideology is the basic mission of the ideological work in a socialist society. The basic mission of the ideology work in a socialist society explained by the respected and beloved general is based on the scientific analysis on the inevitable demand of socialist and communist construction, which is developed and completed based on socialist ideology, and on the realistic condition and prospects to unify the ideology in a socialist society. This is a valuable programmatic guideline that the party of the working class should constantly adhere to in advancing the socialist cause.

The great general clarified in his work that the indoctrination of the *chuche* idea is basic to our party's ideological work. Thus, he provided an all-around key to victoriously advancing socialism by adhering as the only life to the *chuche* idea, the most scientific socialist ideology that is in conformity with the demands of the times. The respected and beloved general firmly established the *chuche*-based revolutionary view on the world, and presented the ideology and theories on vigorously conducting the indoctrination on the theories of the *chuche* idea, collectivism, loyalty, party policies, revolutionary tradition, class, socialism, patriotism, and socialist moral, with which people will live and work in accordance with the *chuche* idea; and ideology and theories on strengthening the struggle against all sorts of non-socialist elements. Thus, a valuable ideological and theoretical guideline has been provided for solidifying the ideological position of socialism.

The great leader Comrade Kim Chong-il fully systemized in his work the contents, as well as principles and methods of the ideological work, and opened a true road for the ideological work to correctly develop according to a scientific methodology. In his work, the respected and beloved general methodically completed iron theories on all principles and methods of the ideological work, including the principles for conducting ideological work for all party members, the entire country, and the entire society under the party's leadership, and to upgrade the ideological reform work as the work of the popular masses themselves; questions concerning conducting the ideological indoctrination work through study and organizational life, and closely combining the work with revolutionary practices; and ways to overcome the tendency to make ideological work administrative and a formality, and ways to make the work new and substantial.

Indeed, the fact that the respected and beloved general, who is the greatest philosopher of the present times and the most veteran and tested leader [yongdoja] of the socialist cause, has provided the fundamental principle of socialist ideological work—systematizing anew all theoretical and practical problems arising in ideological

work, ranging from the basic duty of ideological work that determines the destiny of the socialist cause to its content, principle, and detailed method—is precisely the immortal and historic achievement that the respected and beloved general has made in realizing the socialist cause. [applause] [end recording]

Professor Yi Su-kun then stressed the need to deeply study every word and phrase in the great leader [yongdoja] Comrade Kim Chong-il's work so as to make the profound ideologies and theories contained in the work our own bone and flesh as well as our firm faith, thus thoroughly embodying them in our routine work and life.

Next, Han Yong-sim, secretary of the primary party committee of the Academy of Social Science, discussed the subject "The Theory on Firmly Giving Priority to Ideological Work in the Socialist Society Is a Unique Theory Which Has Brilliantly Embodied the Ideological Theory of *Chuche*."

He referred to the fact that by publishing the classical work "Providing Ideological Work Is an Indispensable Requirement for the Accomplishment of the Socialist Cause," the great leader Comrade Kim Chong-il provided a great principle in ideological work that the party and people who are carrying out the revolution should firmly grasp. He continued:

[Begin Han recording] The theory on firmly giving priority to ideological work in a socialist society is a unique theory based on the principle of the ideological theory of *chuche* that ideology determines everything.

The great leader Comrade Kim Chong-il indicated: The demand to firmly grasp ideology as the basis and to give priority to ideological work in accomplishing the socialist cause is based on the *chuche*-oriented viewpoint on the role ideological consciousness plays in man's activities.

The immortal *chuche* idea has elucidated that ideological consciousness plays a decisive role in man's activities and in pioneering his destiny.

Socialist ideology is an ideology that personifies man's independent and collectivist demands at the highest level. This is why man is not only a mighty ideological weapon who remolds society and nature and pioneers his own destiny, but why he is also an ideological foundation of unity and cohesion that firmly rallies society as one. Herein lies the key to ideology being the life of socialism and that giving priority to ideological work while firmly grasping ideology as the basis is an indispensable requirement for accomplishing the socialist cause.

The socialist economic relationship with the social ownership system as its basis becomes the material condition that makes it possible for the popular masses to master and consolidate socialist ideology.

Meantime, once the socialist system is established, the social and economic foundation that begets old ideologies disappears. However, the backwardness in ideology, technology, and culture that is inherited from the old society and from the various legacies related to this still remain. This becomes a hotbed that may make it possible for all sorts of anti-socialist elements to grow.

Proceeding from this, the socialist ruling party should not only firmly give priority to ideological work in order to arm all members of society with socialist ideology, but should also identify it as the important revolutionary tasks that should not be delayed in order to defend socialist ownership; to constantly consolidate and develop socialist economic relationships; and to thoroughly eliminate the old society's legacies left in many sectors of social life. It should consistently push ahead with these tasks.

Under the wise leadership of the great leader Comrade Kim Chong-il, our party identified the defense of socialist ownership as one of the basic principles of socialism, firmly giving priority to ideological work. It has further consolidated and developed the socialist economic system and has thoroughly done away with the source in which all forms of nonsocialist elements, including old ideological legacies, can grow. Thus, our party has been able to firmly deepen our socialist ideological (?fortress).

The great leader Comrade Kim Chong-il's elucidation of the church-oriented view regarding the decisive role ideological consciousness plays in men's activities is a great discovery that has brought about a fundamental innovation in explaining the relationship between men and the world. It is also a momentous historic event that has effected a new turn in developing mankind's ideology. [applause]

Thanks to this principle of a church-oriented view on ideology, the basic limitation of the previous theory that finds the decisive factor regulating man's activity from objective and material factors has been completely solved, and an entirely new and [word indistinct] understanding of finding [words indistinct] independent ideological consciousness has been established.

The theory on firmly giving priority to ideological work in the socialist society is also a unique theory that brilliantly embodies the principles of the church-oriented ideological theory on enhancing men's leading role in reforming ideological consciousness.

That ideological consciousness does not change and develop according to changes in material and economic conditions, but does change and develop according to men's own leading [word indistinct] and role is precisely an important inevitability in [words indistinct] of ideological consciousness.

The great leader Comrade Kim Chong-il has found from men themselves the decisive factors prescribing change and development in men's ideological consciousness and elucidated that ideological consciousness changes and develops according to men's leading function and role. This is an entirely new and unique ideology that has overcome and completely renewed the limitations in the understanding based on Marxism of the inevitability of change and development in ideological consciousness.

The elucidation of the inevitability of change and development in ideological consciousness with primary emphasis on man after completely overcoming all limitations in [word indistinct] is precisely the prominent ideological and theoretical achievements that the great leader Comrade Kim Chong-il has registered in the history of mankind's ideology. [applause]

The great leader Comrade Kim Chong-il's theory on giving priority to ideological work in the socialist society is completely based on the scientific understanding of the inevitability of change and development in socialist ideological consciousness. This is why this theory has become not only a most correct program for ideological work—which makes it possible to firmly deepen the socialist ideological fortress invincibility—and a bomb-shell declaration dealing a heavy blow to socialism's betrayers, who have allowed the resurgence and infiltration of all sorts of alien ideologies under the signboard of the freedom of ideology, but also a great militant banner to inherit, strengthen, and develop the socialist cause.

The correctness and vitality of the great leader Comrade Kim Chong-il's unique theory on giving priority to ideological work in the socialist society have been fully proven through the practice of our revolution. Accordingly, the theory is an ever-victorious, invincible ideological and theoretical weapon.

Cherishing deep in my heart the great national dignity and revolutionary honor of being a man who is carrying out the revolution while upholding at the head of party and the revolution dear Comrade Kim Chong-il, the great genius of ideology and theory, who has received boundless trust and infinite reverence from the revolutionary people of the world, I, as one of the functionaries who is responsible for party work at a central organization, will firmly grasp the great ideology

and theory elucidated by the respected and beloved general in his classical work and thoroughly embody them in the practice of the party's ideological work. In this way, I will firmly vow to actively contribute to further making the ideological position of our own style socialism invincible, to further strengthening the main force of the revolution, and to consummating the chuche-oriented socialist cause to the end. [applause] [end recording]

Next, Pak Chun-paek, director of a department of the publishing house of the WPK, discussed the topic: "Imbuing the Whole Society With the Socialist Ideology Is the Basic Duty of Ideological Work in the Socialist Society."

Referring to the fact that the ideology and theory on the basic duty of ideological work reflected in the great leader Comrade Kim Chong-il's classical work are a great program that has elucidated the general goal and direction of ideological work that the party of the working class should consistently grasp and thoroughly implement in advancing and consummating the socialist cause, he continued:

[Begin Pak recording] For the party of the working class building socialism to correctly elucidate its basic duty of ideological work is one of the basic problems that arises in deepening the ideological position of socialism and finally consummating socialism by constantly waging ideological work with its firm and clear goal and direction.

The great leader Comrade Kim Chong-il, who has keen wisdom, outstanding insight, and brilliant farsightedness, has clearly and scientifically clarified the ideology and theory on the basic duty of ideological work in socialist society in conformity with the aspirations and demands of the times and the popular masses.

The great leader Comrade Kim Chong-il indicated: The basic duty of ideological work in socialist society is to imbue the whole society with socialist ideology.

As indicated by the respected and beloved general, the basic duty of ideological work in socialist society is to imbue the whole society with socialist ideology. Imbuing the whole society with socialist ideology is to arm all members of the society with socialist ideology, to reform all sectors of social life according to the demands of socialist ideology, and, thus, see to it that only socialist ideology fills and overflows from socialist society.

The ideology and theory on the basic duty of ideological work in socialist society as elucidated by the great leader Comrade Kim Chong-il are the most correct and creative ideology and theory expounded on the basis of scientific

analysis of the superiority of socialist ideology. The correctness and greatness of the ideology and theory lie in that the ideology and theory are the ones clarified on the basis of the analysis that socialist society is a society which has the conditions and potential to realize the ideological dyeing of the whole society.

The ideology and theory that asserts that imbuing the whole society with socialist ideology is the basic duty of ideological work, are the scientific and just ideology and theory that were expounded on the basis of extensive analysis that socialist society is a superior society with the conditions and potential to realize the ideological dyeing of the whole society.

The justness and greatness of ideology and theory also lie in the fact that ideology and theory are ones expounded on the basis of the scientific explanation of the revolutionary ethos and [word indistinct] of socialist ideology.

Ideologically imbuing the whole society can be realized only when all members of society actively support the ideology's truthfulness and revolutionary ethos and accept it as their own.

Socialist ideology is a most scientific and civilized ideology which reflects man's inherent independent nature and elucidates the road of realizing the popular masses' independence. It is also a great revolutionary ideology which fosters the popular masses into independent men with a sense of independence and creative ability.

In particular, the ideology and theory on the basic duty of ideological work in the socialist society expounded by the great leader Comrade Kim Chong-il are a great immortal ideology and theory.

This is because the ideology and theory are the amalgamation of historic experiences that the respected and beloved general achieved by clearly elucidating our party's basic duty under the banner of the ideological work of modeling the whole society after Kimilsongism and by wisely leading the struggle for its realization with his brilliant foresight at a time when others ignored ideological work to pay sole attention to economic construction, thus leading socialism toward the road of degeneration.

Indeed, the ideology and theory on the basic duty of ideological work expounded by the great leader Comrade Kim Chong-il constitute the only ideological work program that will lead the socialist cause of the present times to victory, and constitute the immortal, great banner of ideological work that the party of the working class that is building socialism, needs to grasp to the end.

The basic spirit reflected in the ideology and theory on the basic duty of ideological work expounded by the great leader Comrade Kim Chong-il is precisely the respected and beloved general's boundless love and infinite care toward the people.

The respected and beloved general whose great love and care toward the people are his own philosophy and motto, has (?clarified the linking of) the basic duty of ideological work in the socialist society with love and care toward the people.

The ideology and theory on imbuing the whole society with socialist ideology expounded upon by the great leader Comrade Kim Chong-il, not only constitute the program for human liberation and ideological liberation, but also are the brilliant crystallization of human love and care which elucidates the correct way for the popular masses to enjoy an independent and creative life.

The clear elucidation of the basic duty of ideological work to imbue the whole society with socialist ideology is the immortal, great achievement that the respected and beloved general has registered for human liberation and for realizing the socialist cause. [applause]

The great leader Comrade Kim Chong-il has extensively elucidated the contents of ideological work based on his elucidation of the basic duties of ideological work.

Extensively elucidating the contents of ideological work is an important problem arising in fostering all members of society to become revolutionaries with noble ideological and mental features, as well as in defending and adhering to the socialist cause and achieving its final victory by reforming all sectors in social life in conformity with the demands of socialist ideology.

The great leader Comrade Kim Chong-il has clearly elucidated that the revolutionary ideology, the socialist ideology with which our people should arm themselves, is precisely the chuche idea, and that the basis in our party's ideological work is the education of the chuche idea. At the same time, by proving that socialist ideology is essentially an ideology of collectivism, the great leader [yongdoja] Comrade Kim Chong-il has stressed the need to strengthen the indoctrination in collectivism and has stated that the main contents of ideological indoctrination include indoctrination in the party and the leader [suryong], indoctrination in the party's policies and revolutionary tradition, class indoctrination, indoctrination in socialist patriotism, and indoctrination in communist morality.

Along with the need to root out among the people all sorts of old ideological vestiges, including individual egoism, the great leader [yongdoja] Comrade

Kim Chong-il has also elucidated the need to wage an uncompromising struggle against high-handedness, bureaucratism, and [words indistinct] among cadres as well as to strengthen the ideological struggle to eliminate bourgeois ideology and revisionism.

What is particularly important in the ideology and theory on the contents of ideological work as expounded by the great leader [yongdoja] Comrade Kim Chong-il is the ideology of strengthening the indoctrination in collectivism.

The struggle between socialism and capitalism is a struggle between collectivism and individualism. The superiority of socialism over capitalism is synonymous with the superiority of collectivism over individualism. The success of socialism depends on how to embody collectivism.

The great leader [yongdoja] Comrade Kim Chong-il's clear elucidation of the contents of ideological work constitutes his immortal, great, and historic achievement that has extensively synthesized and clarified the tasks of ideological work that the working class' party should firmly grasp in order to dye the entire society with socialist ideology and brilliantly consummate the socialist cause.

The ideologies and theories that have synthesized the contents of ideological work are a completed theory on ideological indoctrination presented on the basis of the inevitable requirement for fostering true revolutionaries and of the practical experiences achieved in our party's ideological work.

The ideology and theory on the contents of ideological work expounded by the great leader [yongdoja] Comrade Kim Chong-il tell that the ideological and mental features of true revolutionaries find expression in their ideological indoctrination and ideological struggle, and are thus the most just ideology and theory that correctly reflects the popular masses' aspirations to firmly rally around the party and leader [suryong] as one sociopolitical organism, enjoying an eternal life.

In particular, the ideology and theory on the contents of ideological work are the immortal ideology and theory that have synthesized the practical experiences that the great leader [yongdoja] Comrade Kim Chong-il has achieved by clearly elucidating that the chuche idea is the life of socialism, and by leading all ideological indoctrination work to be conducted in combination with the indoctrination in the chuche idea at a time when the betrayers of socialism were opening the door of infiltration to bourgeois ideology and culture in order to make a mess of socialism, all the while clamoring about the liberalization of ideology.

Indeed, for the working class party and people carrying out the revolution, the great leader [yongdoja] Comrade Kim Chong-il's clear elucidation of the basic duty and contents of ideological work constitutes not only a mighty weapon and basic key which make it possible to firmly deepen the ideological position of socialism and to victoriously advance the socialist cause without the slightest inclination, but also an immortal and great historic event that has bestowed the almighty gospel upon them.

For the imperialists and reactionaries who are attempting to obliterate socialist ideology and to destroy socialism ideologically, the great leader [yongdoja] Comrade Kim Chong-il's clear elucidation of the basic duty and contents of ideological work constitutes a mighty written sentence of dealing terrible blows to them and driving them to ruin.

As long as these great ideologies and theories that have clarified the basic duty and contents of ideological work through firm [word indistinct], propositions of rare beauty, and (?creative) discovery elucidate the road ahead of the working class party and the popular masses, the socialist movement of the world will revive and be ever-victorious without fail, and our own style of socialism of chuche will be victorious and invincible. [end recording]

Next, Choe Hui, vice chairman of the Central Committee of the League of Socialist Working Youth of Korea, discussed the subject "Carrying Out Ideological Work on an All-Party, All-State, and All-Society Scale Under the Party's Leadership Is an Important Principle That the Socialist Ruling Party Should Consistently Grasp."

He referred to the fact that the great leader Comrade Kim Chong-il has elucidated the principles of ideological work, which meet the inherent demands of the socialist society based on his extensive analysis and summing up of the previous working class' history of ideology, and his profound analysis of practical experiences of our party's ideological work and the historic lessons of the socialist movement. He continued:

[Begin Choe recording] In view of the position and role of the party as a leading political organization, and in view of the historic lesson of the international communist party, for the party of the working party to thoroughly oppose and reject all sorts of maneuvers rejecting the party's leadership in ideological work, to control all ideological work in a unified manner, and to give guidance to it in a unitary manner is precisely the unyielding principle in ideological work.

Based on socialism's inherent demand and the practical experiences achieved in our party's ideological work,

as well as on his scientific analysis of the historic lessons in the international communist movement, the great leader Comrade Kim Chong-il has expounded it as a most important principle of ideological work to firmly guarantee the leadership of the working class party in ideological work. As a result, a most (?mighty) method that makes it possible to organize and develop the working class party's ideological work under the leader's [suryong] unitary leadership has been elucidated, and a firm guiding principle which makes it possible to dye the entire society with the leader's [suryong] ideology, the socialist ideology, has been provided.

Herein lies the greatness of the dear leader [chinaehanun chidoja] Comrade Kim Chong-il's greatness as an outstanding ideologist and theorist with extraordinary ideological and theoretical wisdom and the immortal achievement that he has registered in defending, adhering to, and adding luster to the socialist cause. [apause]

Vigorously waging ideological work on an entire-party, all-state, and whole-society scale is an important principle that should be adhered to in ideological work.

That waging ideological work on an entire-party, all-state, and whole-society scale is an important principle that should be adhered to in ideological work is, first, because it is a scientific and revolutionary principle that makes it possible to successfully carry out the work of coloring the whole society with socialist ideology.

Only when not only the party of the working class, but also all state organs that manage and operate the society in a unified manner; public organizations; all organs and groups serving the socialist society, such as publication, literature, arts, and educational organs; and functionaries from all sectors push ahead with vigorous ideological work can all old ideologies remaining in all sectors of social life be completely taken out and, thus, the whole society be filled only with socialist ideology.

That waging ideological work on an entire-party, all-state, and whole-society scale is an important principle that should be adhered to in ideological work is also closely related to the missions and duties of all organs and organizations in our socialist society.

All organs, groups, and sectors in our socialist society, including party and state organs and public organizations, have their inherent characters. However, all of them have socialist ideology as their guiding principle and the struggle for its realization as their mission. Like this, as the mission and duty of all party and state organs and organizations as well as all organs and organizations existing in the socialist society and

their functionaries, ideological work in socialist society is carried out as entire-party work, all-state work, and whole-society work. In this case, the ideological work to imbue the whole society with socialist ideology can be successfully carried out.

That our own style of socialism is winning victory after victory, without faltering, fully demonstrating its might and superiority, even amid the rapidly changing situation in which socialism is failing in many countries is precisely because our party has vigorously waged ideological work on an entire-party, all-state, and whole-society scale and, thus, firmly armed all members of the society with the great *chuche* idea and firmly built the position of socialist ideology into an invincible fortress.

Indeed, the principle of ideological work, which the great leader Comrade Kim Chong-il has creatively elucidated in his immortal classical work "Giving Priority to Ideological Work Is an Indispensable Demand in the Accomplishment of the Socialist Cause," is a great program of the party's ideological work that has opened a turning point in successfully realizing the duty and contents of party ideological work. It is also an immortal, revolutionary banner that the revolutionary parties of the working class should consistently adhere to and embody in their ideological work. [applause] [end recording]

Next, Han Yong-hwan, director of a department of the Pyongyang city party committee, discussed the topic: "Establishing a Ideological Work Method That Accords With the Inherent Nature of Socialist Society."

Referring to the fact that the historic task that elucidates the scientific and revolutionary ideological work that has embodied the inherent demands of socialist society has been completely solved by the great leader Comrade Kim Chong-il, Han Yong-hwan continued:

[Begin Han recording] The purpose of ideological work in socialist society is to thoroughly arm the popular masses with socialist ideology, and based on this, to firmly deepen the socialist ideological position in all sectors of the revolution and construction, and to highly exalt the masses' revolutionary zeal and creative positiveness. Therefore, ideological work in socialist society should be relied on as a method for identifying the popular masses as the masters of ideological work in conformity with the inherent demand of socialist society and the purpose of socialist ideological work; respecting their independent demands and interests to the maximum; and enhancing the popular masses' creative role in ideological work. By so doing, the might of ideological work can be strengthened by all means.

In his classical work the great leader Comrade Kim Chong-il has not only presented a unique ideology that

ideological work in socialist society should be carried out by a method that accords with the inherent demand of socialist society, but has also elucidated anew that a mighty method that accords with the inherent demand of socialist society is to turn ideological work into a work of the popular masses themselves, to conduct studies and organizational life in close combination with the practice of the revolution, and to eliminate the tendency of falling into administrative ruts and formalism in ideological work, and, thus, to conduct ideological work in a fresh and substantial manner.

This is not only a creative ideology that has given a comprehensive and profound answer to the basic demands of the methods of socialist ideological work and to ways of its realization, but is also a scientific ideology that has provided a firm guarantee making it possible to strengthen the might of ideological work by all means.

The method of ideological work which accords with the inherent nature of the socialist society, expounded by the great leader Comrade Kim Chong-il, is a most revolutionary method that can most thoroughly realize the basic demand for converting ideological work to the popular masses' own work.

In the socialist society where the popular masses are the masters of society, the work of educating and reforming people, too, should be firmly converted to the popular masses' own work.

The movement to reform ideology among the masses and the indoctrination method to influence people by positive example become a revolutionary method which can most thoroughly realize the demand of ideological work on converting ideological work into a work of the popular masses' own work and an immutable truth proven by the practice of our revolution.

Our party initiated the movement to reform ideology among the masses in the past in conformity with the demands of the developing revolution and with the masses' level of political and ideological preparedness and established the method of indoctrination to influence people by positive example. Thus, our party saw to it that the popular masses smoothly performed the position and role as the main force in ideological reform work.

Today, all members of society are outstandingly growing to be communist revolutionaries of *chuche*, and these beautiful and laudable behaviors being exalted among our people have become a popular and social trend.

This proud reality is a clear expression of the revolutionary and scientific nature of the movement to reform

ideology among the masses and the method of indoctrination to influence people by positive example and their justness and vitality.

The method of ideological work which accords with the inherent nature of the socialist society, expounded by the great leader Comrade Kim Chong-il, is also a mighty method that can firmly grasp the key to solving problems in ideological work and push ahead with it.

In his classical work the dear leader [chinhaehanun chidoja] comrade has elucidated that studies, organizational life, and the practice of the revolution are the key to ideological indoctrination and a mighty method. This is a scientific ideology which clearly elucidates the major key to ideological indoctrination on the basis of a correct analysis of the inevitable demands in the course of human reform, that is, ideological reform.

Studies, organizational life, and the practice of the revolution become the key to ideological indoctrination and a mighty method for ideological indoctrination which accord with the inherent nature of the socialist society and has been clearly proven by the practice of socialist construction in our country.

In our country today, all members of society, firmly grasping studies as their lifeline, are participating in various forms of studies and lectures to deeply master the leader's [suryong] revolutionary ideology. They are also making it their faith and morality. They are enrolled in political organizations led by party organizations and the party to receive political and ideological indoctrination and, accordingly, to glorify their political lives. They are also firmly deepening their ideologies and faith amid the majestic struggle to safeguard, defend, and add luster to the popular mass-centered socialism of our own style.

This is why our people are upholding with infinite loyalty the party and leader's [suryong] leadership without faltering and with absolute worship toward their leader [suryong] and their leader [yongdoja], even amid today's complicated, eventful great political storm [pokchap tadanhan tae chongchi pungpa]. This is clear evidence of the might of the ideological indoctrination method of our party which has led our people to systematically temper and to [word indistinct] firmly deepen their ideological will through studies, organizational life, and the practice of the revolution.

The method of ideological indoctrination, which accords with the inherent nature of the socialist society expounded by the great leader Comrade Kim Chong-il, is also a scientific method which reflects the characteristics of ideological indoctrination in the socialist society.

Ideological indoctrination work in the socialist society should be conducted by way of explanation and persuasion in conformity with the inherent demands of socialism and the characteristics of ideological reform work and should be carried out in various forms and methods and in a fresh and substantial manner. By so doing people will accept socialist construction as their own ideology and make it their firm faith. Accordingly, ideological work can smoothly achieve its purpose.

Indeed, the ideology and theory on the method of ideological work expounded by the great leader Comrade Kim Chong-il in his classical work are an immortal great program of the party's ideological indoctrination work which has extensively synthesized the mighty methods that can enhance by all means the position and role of the popular masses, the main force of ideological reform, based on the principle of the chuche idea and can extraordinarily accelerate the process of human reform, that is, ideological reform. [applause] [end recording]

Overseas Groups Study Kim Chong-il Works

SK0408043895 *Pyongyang KCNA in English*
0435 GMT 4 Aug 95

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — Famous works of the great leader Comrade Kim Chong-il have been disseminated and studied in different countries.

A seminar on his work "Giving Priority to Ideological Work Is Essential for Accomplishing Socialism" was held by the Chuche Idea Study Society of Delhi, India.

Speakers said that Comrade Kim Chong-il analysed in the work the serious lessons drawn from the collapse of socialism in several countries and clearly indicated that giving priority to ideological work is essential for accomplishing socialism.

They noted that the practical experience of socialist construction in Korea proved that when the popular masses firmly armed themselves with the socialist idea and consolidated the ideological foundation they could firmly defend socialism even in any storms.

Seminars on this work were also held by the Zimbabwian Centre for the Study of Kimilsongism-Kimchongilism, the Zairean Youth Group for the Study of the Chuche Idea, the Tanta, Russia, Society for the Study of the Chuche Idea, the Chuche Idea Study Society of Britain, the Malian Second Group for the Study of Kimilsongism and at a cultural centre in Cairo, Egypt.

Seminars on his works "Abuses of Socialism Are Intolerable" and "On the Chuche Idea" were held by

the Bulgarian Group for the Study of the Chuche Idea and the Dar-es-Salaam, Tanzania, group for the study of Kimilsongism.

Foreign Media Cover 10-Point Program

SK0408042595 *Pyongyang KCNA in English*
0415 GMT 4 Aug 95

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — The great leader President Kim Il-song's work "10-Point Programme of the Great Unity of the Whole Nation for the Reunification of the Country" was reported by foreign press media.

The Ukrainian paper NARODNAYA ARMIYA, the Algerian paper EL OUMA, Yemeni journal ADWA EL YEMEN [spelling of newspapers as received] carried the work with a portrait of President Kim Il-song.

The work was also carried or aired by the Zambian paper ZAMBIA DAILY MAIL, the Singaporean paper STRAIGHTS TIMES, the Yemeni paper May 22, Radio Bonita of Mexico and the Radio FM 90 of Cambodia.

Kim Il-song's Literary Works Reviewed

SK0208213195 *Pyongyang KCNA in English*
1517 GMT 2 Aug 95

[FBIS Transcribed Text] Pyongyang, August 2 (KCNA) — The poem "In Autumn of Mt. Myohyang" composed by the great leader President Kim Il-song is being avidly recited among the Korean people.

The president composed the poem at a balcony of the International Friendship Exhibition which is situated on Mt. Myohyang, a scenic spot, on October 15, 1979.

The poem tells that as the International Friendship Exhibition has been built on Mt. Myohyang, a world-famous scenic mountain from olden times, and the blue protruding corners of the eaves spread, the dignity of the nation shines and Piro Peak (the highest peak on Mt. Myohyang) rises higher.

It says that maple leaves on mountains were tinged with red in every autumn but they have been turning red more beautifully in the era of the Workers' Party with the new history of Korea. An endless stream of goodwill envoys the world over visit this land, though it was filled with distresses from flunkeyism and national ruin in the past, it notes. It stresses this pride, the first of its kind in the five thousand year history of Korea, will be handed down to posterity together with the land of golden tapestry.

The poem implies the past, present and future of Korea and carries the greatness of socialist Korea. The more the poem is recited, the warmer the love for the country.

Indeed, President Kim Il-song is a great writer whom any fine writer cannot match. He wrote revolutionary literary works and songs in his teenage to encourage the people to the struggle. He created many classic masterpieces including "The Flower Girl", "The Sea of Blood" and "A Fate of a Self-Defense Corps Man". They show that the Korean people who were subjected to all manner of national humiliation, oppression, maltreatment and non-rights during the dark period of the Japanese imperialists' colonial rule should take a road of struggle, the road of revolution, if they were to retake the independence of the country, genuine freedom and the right to existence. And he composed "Song of Anti-Japanese War" and many other songs which aroused the Korean people to the struggle against Japanese imperialism.

A typical work of the revolutionary poems and songs of our era is "Ode Dedicated to the Lodestar" which was written by President Kim Il-song on February 16, 1992 in congratulation of the 50th birthday of the great leader Comrade Kim Chong-il. The ode sings of the pride of the nation holding Comrade Kim Chong-il in high esteem as the lodestar of the era and all the people's praise for him with good poetic words and a gem-like vocabulary. It brings home to the people a great meaning.

President Kim Il-song's reminiscences *With the Century* is also an immortal classic masterpiece which records the undying revolutionary feats of the president who devoted his whole life to the people.

His works are precious treasures of the nation which will be handed down through history, and textbooks of revolution for the Korean people who are struggling to accomplish the chuche revolutionary cause.

Visitors Pay Homage to Kim Il-song at Kumsusan

Foreign Delegations

SK0408043695 *Pyongyang KCNA in English*
0428 GMT 4 Aug 95

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — A government information and communications delegation of Nepal led by Pradip Nepal, minister of information and communications, and a delegation of the Japanese Society for the Study of Kimilsongism led by Kenichi Ogami, secretary general of the International Institute of the Chuche Idea, on Thursday [3 August] visited the Kumsusan Memorial Palace where the great leader President Kim Il-song is preserved in state and made bows in reverence.

Pradip Nepal wrote in the visitor's book that President Kim Il-song had fought for the independence of the country and the freedom and happiness of the people all

his life, and that the Korean people would vigorously advance along the road chosen by themselves though the president passed away.

Kenichi Ogami said that President Kim Il-song is always with the world revolutionary people who invariably glorify the age of independence.

We, he said, will vigorously struggle for the final victory of the cause of chuche under the leadership of dear Comrade Kim Chong-il, holding the great leader Comrade Kim Il-song in high esteem for all ages.

Soldiers, Citizens

SK0408042795 *Pyongyang KCNA in English*
0420 GMT 4 Aug 95

[FBIS Transcribed Text] Pyongyang, August 4 (KCNA) — Over 20 days have passed since the Kumsusan Memorial Palace opened under the energetic leadership of the great leader Comrade Kim Chong-il.

During this period servicemen of the Korean People's Army [KPA], officials of different organs, scientists, educators, medical workers, artists and men of culture and the press, workers and people in Pyongyang visited the palace and paid highest homage to the great leader President Kim Il-song and hardened their pledge of loyalty.

On July 27, the second liberation day of the country, a large number of servicemen of the KPA and people visited the palace to pay highest homage to President Kim Il-song who saved the motherland and the people by wisely leading the fatherland liberation war to a brilliant victory and built the socialist system of Korean style in this land. On July 30, the day when President Kim Il-song proclaimed the law on sex equality, women of all strata visited the Kumsusan Memorial Palace and looked back upon the loving care of the president who trained them to be deputies to the Supreme People's Assembly and other power bodies, excellent socio-political activists, economy management officials, scientists and so on.

They sincerely made deep bows to the president who is preserved in state and made pledges of allegiance.

Veterans, servicemen of the KPA, public security workers, working people streamed to the Kumsusan Memorial Palace, yearning for the respected president, and made up their minds to hold him in high esteem and accomplish the chuche revolutionary cause generation after generation, united around the great leader Comrade Kim Chong-il in one mind.

Farm Claims Bumper Potato, Wheat Crops

SK0408132295 *Pyongyang Korean Central Television Network in Korean* 1100 GMT 26 Jul 95

[FBIS Translated Text] Sinhung Branch Farm of Songam Farm in Taehongdan County achieved bumper crops of potato and wheat. Particularly, fields of the No. 2 work team of the branch farm, where the great leader [suryong] personally visited twice, reaped an unusual yield of potatoes. Members of the work team have engraved deep in their hearts the respected and beloved leader's will and achieve such a good result by taking good care of and methodically growing every head of potato.

Fields of the No. 1 work team of the branch farm also saw an excellent wheat harvest, which pleased everybody. Bearing boundless pride of working at the honorable fields where the fatherly leader personally visited 41 years ago on 9 July in 1954, members of the work team methodically cultivated wheat and achieved a bumper crop.

South Korea

U.S. Currently Not Planning To Vacate Hialeah

SK0408110595 *Seoul YONHAP in English*
1044 GMT 4 Aug 95

[FBIS Transcribed Text] Pusan, Aug. 4 (YONHAP) — Pusan municipality's plan to use the vast site of the U.S. military Hialeah Compound in building Asiad apartments and an Asiad theme park in preparation for the 2002 Asian Games here, seems doomed as the U.S. military refuses to give up the area.

A Pusan city official said Friday that the U.S. military does not want to relinquish the land and the Defense Ministry refuses to mediate.

"We asked the Defense Ministry to act as an arbitrator between the city and the U.S. military," he said. "But, the ministry has backed down, saying it is a matter to be resolved between the city and the U.S. military."

The U.S. military, he said, asserts that since the compound contains a hospital, a school and sports facilities in addition to military facilities, any relocation of the compound has to be consulted even with the State Department let alone the Pentagon.

With the excuse, the U.S. military has in effect refused to move elsewhere, saying, "At the moment, we have no plan whatsoever to move out."

The U.S. military made it clear that they cannot agree to the Pusan city plan, complaining that the city has been

promoting the Asiad facilities plan one-sidedly without taking due steps related to the compound's relocation.

"Our plan now is to carry on negotiations for taking over of the land of the Hialeah Compound while finding other area for use in building Asiad apartments and park," the city official said.

Government To Demand North End 'Smear Campaign'

SK0408084295 Seoul SEOUL SINMUN in Korean
4 Aug 95 p 2

[Report by Ku Pon-yeong]

[FBIS Translated Text] Since North Korea revealed its intent to premeditatedly strain North-South relations, including the drastic increase of its slander of the South in the wake of the 50th anniversary of the 15 August national liberation, the government decided to work out strong countermeasures, including a demand for the suspension of North Korea's anti-South smear campaign during talks between North and South Korean authorities slated in Beijing for 10 August.

It has been learned that during upcoming talks, the government will flexibly carry out consultations with the North on the issue of additional provision of rice to North Korea, as well as the issue of expanding North-South economic cooperation, by watching the North Korean side's attitude, such as promising to suspend its smear campaign against the South.

With regards to this, the government is planning to hold a meeting of relevant ministers early next week chaired by the Unification Deputy Prime Minister Na Ung-pae in order to work out measures and finalize its strategy on the third round of North-South talks in Beijing.

On 3 August, a relevant government official stated that "the issues of economic cooperation and additional rice provisions will be discussed at the third round of talks. At the same time, we intend to strongly demand that the North refrain from conducting its anti-South smear campaign."

He added: "In actuality, our side has no sufficient rice reserves other than the minimum amount recommended by the international food and agriculture organization. In this case, if the North Korean side fails to clearly show its will to improve North-South relations, such as suspending its anti-South smear campaign, we can hardly win the public support for the provision of additional rice to North Korea."

Meanwhile, North Korea has drastically increased its anti-South slander on the pretext of a decision made by

our side's authorities to ban the Panmunjom events and the arrest of Presbyterian Pak Yong-kil.

PRC Worried About Impact of An Investigation

SK0408060295 Seoul TONG-A ILBO in Korean
4 Aug 95 p 5

[Report by Han Ki-hung: "China's Dilemma in 'Handling Pastor An Sung-un'"]

[FBIS Translated Text] Chinese authorities' investigation of the incident of Full Gospel Church Pastor An Sung-un's entry into North Korea is taking longer than forecast earlier. As a result, the government is working hard to seek appropriate measures to cope with the situation in consideration of North-South relations.

The government realized on 24 July that Pastor An, who disappeared on 9 July while surreptitiously engaged in missionary activities in Yanbian, China, had been abducted and taken to North Korea, and it used diplomatic channels to call on China to investigate the truth of the incident at an early date.

However, China has not notified the ROK Government of its investigation results even 10 days after it received the request. This being the case, our government thinks that China is deliberately delaying its notification of our side in consideration of its delicate diplomatic situation with North and South Korea.

A relevant high-ranking government official said: China is most likely concerned with the fact that announcing the investigation results will only have a negative impact on the third round of North-South vice ministerial-level talks slated in Beijing for 10 August, and on China's relations with South and North Korea.

If China were to define this incident as an abduction, diplomatic friction would erupt over North Korea's infringement upon China's sovereignty, and our government would make strong demands at the third round of inter-Korean rice talks for the repatriation of Pastor An. Thus, the potential for increased tension in North-South relations would be high.

While China's assessment of the incident as a voluntary defection to North Korea may temporarily mollify the ruckus between North and South Korea, skepticism over the objectivity of China's investigations would remain, and ROK-China relations might enter into an uncomfortable situation.

The government assumes that even if China were to notify the ROK of its investigation results after the third round of North-South talks, it is likely that the notification of the truth behind the incident will be

worded ambiguously. Thus, the government is preparing for the possible prolongation of the incident.

The government's basic position on this incident is very clear: The government will not neglect its basic responsibility of protecting its citizens at the expense of maintaining its basic policy of improving North-South relations.

In particular, despite Pastor An's testimony on his voluntary defection to North Korea, which he gave in his own voice via a North Korean broadcast on 1 August, the government believes that he was abducted to the North on the basis of various indicators.

A relevant, high-ranking official said: "I immediately sensed that North Korea was resorting to its tricks to alienate relations between the ROK and China when Pastor An remarked that the Agency for National Security Planning had directed him to raise China's human rights issue. Since the abduction of Pastor An to North Korea is almost certain, the government cannot remain an onlooker."

This being the case, unless China defines the incident as a voluntary defection to the North, our government intends to deal with this incident as a main item of discussion at the third round of Beijing talks and will make a strong protest to the North Korean side.

A high-ranking government official stated that "Breaking North-South dialogue over the issue of Pastor An is undesirable. However, a shift in the speed of improving North-South relations appears inevitable."

Therefore, serious offensive and defensive altercations are expected to take place between North and South Korea during the third round of talks. Furthermore, it is not likely that the two sides will reach an agreement on such forward-looking issues as additional provision of rice and economic cooperation.

'Intrusion' of PRC Fishing Boats Protested

SK0408091895 Seoul TONG-A ILBO in Korean
4 Aug 95 p 2

[FBIS Translated Text] On 3 August, the Foreign Ministry revealed that on 2 August, it had officially lodged a protest with the Chinese Government against illegal intrusion and fishing by Chinese fishing boats in special sea zones of the West Sea [Yellow Sea].

On 2 August, the PRC Ambassador to the ROK, Zhang Tingyan, was called to the Foreign Ministry and was given a list of 209 Chinese fishing boats which had been caught fishing in this zone from May to July. Thus, the Foreign Ministry lodged an official protest,

and demanded that the Chinese side take measures to prevent such intrusions in the future.

The special sea zone is a specially designated zone beyond the northern boundary of the West Sea (North-South marine border on the West Sea) which was set with military considerations in mind. The government strictly bans fishing in this sea zone. Intruding Chinese fishing boats in this sea zone numbered a little more than 40 in 1990, but this number increased to 2,033 in 1994. Moreover, the number has drastically increased this year, recording 2,033 cases since the beginning of the year to the end of July.

A Foreign Ministry official said: "Intruding into this zone in groups of 50 or 100, Chinese fishing boats drain the zone of fish resources and damage our fishermen's tools and instruments."

Russia To Supply 400 Tanks to Seoul as Scrap

SK0308113495 Seoul YONHAP in English
1038 GMT 3 Aug 95

[FBIS Transcribed Text] Moscow, Aug. 3 (YONHAP) — Two hundred T-54 Russian tanks and the same number of T-55's will be supplied to South Korea as scraps, the daily SEGODNYA (TODAY) here reported Thursday.

It said the tanks will be disintegrated at a tank maintenance depot in Ussurijsk under the control of the Far East military district before being delivered to South Korea.

Quoting a source at the Far East military district, the newspaper said scraps from the 400 tanks will total about 5,000 tons and they will be priced at 93 dollars per ton.

"The proceeds accruing from the sales will be deposited at the Russian Defense Ministry for use in modernizing tank plants," it said.

The Russian Defense Ministry has sold two carriers to South Korea as scraps and is contacting Korea for the sale of about 200 more decommissioned naval craft of Russia's Pacific Fleet.

Kong No-myong, Australian Counterpart Meet

SK0408023395 Seoul YONHAP in English
0217 GMT 4 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 4 (YONHAP) — Foreign Minister Kong No-myong on Wednesday met with his Australian counterpart Gareth Evans in Brunei, the venue for the ASEAN (Association of Southeast Asian Nations) post-ministerial conference, on bilateral

and regional issues, Foreign Ministry Spokesman So Tae-won said Friday.

The two ministers agreed to cooperate closely in the Asia-Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF), Asia Europe summit meeting and other international forums, So said.

Kong briefed Evans on the North Korean light-water reactor project led by the Korean Peninsula Energy Development Organization (KEDO) while urging the Canberra government to make efforts to reduce tariffs on South Korean exports to Australia including automobile, footwear and textile.

Gareth invited Kong to visit Australia in the near future.

EU Increases Tariffs on Some Electronics

SK0408001095 Seoul THE KOREA TIMES in English
4 Aug 95 p 8

[By staff reporter No Chun-hum]

[FBIS Transcribed Text] The European Union [EU] is finding new methods of beating on the competitiveness of Korean goods in its market, this time by increasing tariffs through electronic product classification changes.

Industry experts say that the changes, believed to have been implemented following complaints from a European company, could prove to be a form of protectionism pursuable without resort to anti-dumping duties.

The latest ruling by the European Commission has increased the tariff on CD-ROM (compact disc-read only memory) drives from 4.9 percent to a high 14 percent, the Ministry of Trade, Industry and Energy [MOTIE] said. MOTIE officials said yesterday that the change is the result of reclassifying the CD-ROM drive as an image recorder and a device for audio and visual reproduction rather than as a memory device.

The problem with this, said Choe Kun-sik, director of the trade division of Samsung Electronics, is that this opens a whole new chapter in measures to weaken the competitiveness of imports in the European Union.

"The reclassification of products is a dangerous move since it could easily put products like computers in the same category as color television sets since a PC can carry out the role of a TV," he observed.

Noting that the complaint about CD-ROM drives was believed to have been made by Philips, which is currently seeking to enter the multimedia field with products like CD-I [interactive compact discs], he said the reclassification could easily prove to be a way of

protecting the market without going through tedious anti-dumping procedures.

Should the trend continue, Choe observed, virtually all integrated electronic products could be regarded as having functions that approach those which face the highest import tariffs.

Unlike other electronic products, however, there is currently no production of the new multimedia device in the European market and so the new tariff is interpreted as a move to increase earnings from import tariffs.

Director Kim Yong-su of MOTIE's Europe division said the increase in import tariffs is rather different from an anti-dumping duty but it certainly cuts into the competitiveness of Korean-made products.

"Should European companies begin producing CD-ROM drives, they will be more competitive in terms of price than imports. For the time being, however, the government has no plans to take counter action," he explained.

In actuality, the change in the tariff will have the effect of increasing the suggested retail price of the drives in the European market, meaning that European consumers will have to bear the burden.

On the other hand, there is the possibility that the EU will move to impose retroactive tariffs on products sold with the 4.9 percent tax over the past three years. This move would have serious financial implications.

At present, LG Electronics is the only local company marketing doublespeed and quadspeed CD-ROM drives in the European market, where it competes with companies from Japan and the United States. The average price of the LG product is 110 dollars.

When reached for comment, LG officials said the problem is certainly much more serious than a simple difference of opinion over the function of CD-ROM drives, since more and more products have integrated functions and thus could face the maximum tariffs.

They said they have referred the case to their lawyers in Europe and will seek to file a protest with the European Union when their findings are in. "We will seek government-to-government negotiations if necessary since this could set a dangerous precedent," one senior LG official said.

Meanwhile, some industry observers speculated that the move by the European Commission could be designed to attract more foreign investment since it will be more price competitive to manufacture in the EU with the high tariffs.

They said leading Korean companies are already determined to stop direct shipments of electronic products to Europe to avoid the heavy anti-dumping duties. At present, the duties on color TV sets are 13.4-17.9 percent.

Instead, electronics makers are expanding production in Europe to meet local needs, perhaps satisfying the European Union's objective of luring foreign investment to create jobs and make business brisk.

New Israeli Ambassador Appointed

SK0408010095 Seoul THE KOREA TIMES in English
5 Aug 95 p 8

[FBIS Transcribed Text] Arie Arazi, new Israeli Ambassador to Korea, will take office Aug. 14, replacing outgoing Asher Naim, the Israeli Embassy here said yesterday.

Korea will be the first ambassadorial assignment for Arazi.

In 1989 and 1990, Arazi worked as counselor in charge of Korean affairs at the Israeli Embassy in Tokyo while residing in Seoul. Then, the current embassy had not been set up.

Meanwhile, outgoing Ambassador Naim held a farewell reception at his official residence in downtown Seoul with the participation of relevant figures.

In the meeting six Korean company representatives received awards for their contribution to the promotion of trade between the two nations. The companies were Meditec Co., Orda Korea Co., Shinmyung Systems Co., Korea Horticulture Co., Sung Hwa Telecommunication Co. and Orbotech Pacific Ltd's Korea branch.

Trade between the Nations in 1994 was 430 million dollars and is expected to reach the level of 620 million dollars this year.

Naim was appreciated for his noted achievements while in office here, including his work helping strike aviation and cultural agreements by the two nations, an embassy official said.

Prosecutors Reject Appeal in Kwangju Case

SK0308144095 Seoul YONHAP in English
1224 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — The Prosecutor General's Office on Thursday rejected as "not founded" the appeal made by a total of 614 suers against former President Chon Tu-hwan and 34 others arraigned in the excessive suppression of the Kwangju uprising in 1980.

Announcing the rejection, Kong Yong-kyu, chief of the office's criminal department, said his office decided that "the acts made in the Kwangju incident were part of the process of a new regime being created, and therefore cannot be subject to juridical review."

Chong Tong-nyon, chairman of the alliance for Kwangju popular uprising, and 613 others appealed against lower courts' decision that the prosecution have no right to indict those arraigned in the incident.

The appellars complained that the prosecution ought to have indicted Chon and others because the only people the prosecution cannot indict under law should be those enjoying extraterritoriality like foreign diplomats.

Further Reportage on 'Secret Funds' Allegation

Ex-Presidents React

SK0408082295 Seoul YONHAP in English
0752 GMT 4 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 4 (YONHAP) — Government Administration Minister So Sok-chae resigned Friday over his controversial remarks about "secret funds" allegedly owned by one of former presidents Chon Tu-hwan or No Tae-u, but the ex-presidents are still poised to get tough with him.

When a Seoul newspaper reported So's remarks Thursday, they both dismissed the report, saying the report has nothing to do with them.

But on Friday, they said unless So makes a convincing explanation to clear up the suspicion his remarks aroused, they would have to take appropriate action against So.

In particular, No's secretary Pak Yong-hun said, "I've never seen him so angry.... Unless So makes an explanation convincing enough to remove the public suspicion about him and restore his honor as a former president, we would consider taking legal proceedings."

He thus suggested No may charge So with libel in case his explanation is not acceptable.

Chon's secretary Min Chong-ki also said Chon would take appropriate action against So after studying the measures the government and So himself take regarding the controversial remarks, though he did not use the words "legal proceedings."

Chon and No have intensified their reactions because they consider So's explanations Thursday evening were not enough to clear them of "the disgrace" So's remarks inflicted upon them.

In his explanations Thursday evening, So did not dismiss "the rumor" as untrue but said he had heard the rumor from his friend before the local elections. This, Chon and No consider, has only increased the suspicion about them. So's resignation is one thing and clearing them of the suspicion is another, they said.

The two former presidents must have concluded that even if So makes a sufficient explanation, the people will not easily remove a suspicious eye away from them, and this must have prompted them to intensify their reactions to So in an attempt to force So to remove the suspicion completely.

So Sok-chae Resigns

SK0408025595 Seoul KBS-1 Radio Network in Korean 0200 GMT 4 Aug 95

[FBIS Translated Text] Minister of government administration, So Sok-chae, who caused a stir with allegations of a former president's hidden slush fund, has submitted his resignation, and it was promptly accepted this morning by President Kim Yong-sam.

Song Tae-u, senior secretary to the prime minister, said that Minister So called on Prime Minister Yi Hong-ku yesterday to explain his remarks which had become an issue. He then turned in his resignation to assume responsibility for unintentionally causing trouble. Prime Minister Yi Hong-ku reported this to the president this morning.

Since the president is on vacation, a successor to Minister So Sok-chae will be picked according to relevant procedures following his return to office.

Minister So Sok-chae was appointed to the present position during the cabinet reshuffle in November last year.

Meanwhile, Minister So Sok-chae strongly denied a daily's report on his resignation during a telephone conversation with a close associate, and even revealed that he intended to file a lawsuit against the said newspaper.

The daily reported yesterday that Minister So Sok-chae had revealed that one of the former presidents has been in agony over how to handle a huge secret fund amounting to 400 billion won [528 million U.S. dollars]. Minister So stressed that his remarks had been distorted and explained this to reporters. He was learned to have submitted his resignation, however, as the controversy mounted.

Kim Tae-chung Calls for Probe

SK0408053995 Seoul YONHAP in English 0515 GMT 4 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 4 (YONHAP) — Kim Tae-chung, permanent advisor to the embryonic National Congress for New Politics (NCNP), urged Friday [4 August] President Kim Yong-sam to instruct the prosecution to conduct a special investigation into the alleged possession of 400 billion won (528 million U.S. dollars) by a former president in bank accounts under false or borrowed names.

Kim made the demand at a breakfast meeting with Seoul City Council members elected on the ticket of the opposition Democratic Party.

It is the government that is to blame since it has not probed into the case despite its knowledge of it, Kim asserted, adding that the government and the ruling party should not downplay the matter as a mere happening.

NCNP Spokesman Pak Chi-won also called for a thorough investigation into the allegation, saying, "It amounts to an act of fooling the citizens that the ruling camp is desperately attempting to play the controversy down on grounds that it is of no use in the administration of state affairs."

NCNP has decided to convene a leadership committee meeting soon, presided over by Kim, with a view to sending a delegation to Prime Minister Yi Hong-ku and demand a special prosecution instigation into the matter.

Should the authorities refrain from looking into the alleged possession of a huge sum of money by a former president, NCNP reportedly plans to demand the convening of a special parliamentary session.

No Evidence To Warrant Probe

SK0408063395 Seoul YONHAP in English 0617 GMT 4 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 4 (YONHAP) — Amid signs of controversy heating up over Government Administration Minister So Sok-chae's remarks that one of the two former presidents — Chon Tu-hwan or No Tae-u — owns no less than 400 billion won in accounts opened not in his name with financial institutions, the opposition has come up with a strong demand that the prosecution investigate the funds.

In the investigation, the prosecution must identify the owner of the funds and find if there really are such accounts in names other than their real holder's and how such huge funds had been raised. If the funds are found to have been raised in an illegal manner, the prosecution must bring the owner to justice, the opposition claims.

The prosecution's initial reaction is, "Because there is no evidence of a crime related to Minister So's remarks, we can hardly start an investigation."

Under a presidential decree requiring the use of real names in all financial transactions, those failing to shift funds in false- and borrowed-name accounts to their real-name accounts are subject to a fine of 60 percent of the funds concerned but not to any criminal punishments, a public prosecutions administration official said.

But in case those holding funds in false- and borrowed-name accounts are suspected of having dodged taxes on these funds or having raised the funds in an irregular manner, the prosecution can look into the funds, other officials said.

"You can't say Minister So's remarks do not provide for an investigation because he, as a government minister, made the remarks which are somewhat concrete... I think the prosecution should start investigation to remove the growing suspicion over the remarks by bringing what he suggested in the remarks to light," one of the officials said.

Whether the prosecution will start investigation hinges on why Minister So made such remarks, and many prosecution officials view that he made the remarks not with an eye to prompting the prosecution to start investigation.

When his remarks became a hot political controversy Thursday, So told reporters that he had just conveyed the rumors under the influence of alcohol, attaching no important meaning to the remarks.

If he had made the remarks with some intention, his intention would have been to check the conservative force of the ruling camp trying to stand in the way of President Kim Yong-sam's reform policy, according to some prosecution officials.

President's Son Decides Against Parliament Run

SK0408030395 Seoul YONHAP in English
0234 GMT 4 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 4 (YONHAP) — Kim Hyon-chol, the second son of President Kim Yong-sam, has decided not to run for a parliamentary seat in the 15th general elections slated for next April, an informed source said Friday.

Hyon-chol met his father on June 30, a day after he returned from his state visit to the United States, and informed him of his decision not to run in the elections, according to the source.

The following day, the source added, President Kim told senior officials of the ruling Democratic Liberal Party

(DLP)—Chairman Yi Chun-ku and Secretary-General Kim Yun-hwan—of his son's decision.

Kim Yun-hwan Thursday admitted that he had heard about it.

So far, there have been rumors that Hyon-chol will run for a parliamentary seat at one of the electoral districts in Koje or in Pusan, native place and political base of his father, respectively.

Seoul Appoints Two Administrative Vice Mayors

SK0408114695 Seoul YONHAP in English
1050 GMT 4 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 4 (YONHAP) — The government on Friday appointed two administrative vice mayors of Seoul as recommended by Mayor Cho Sun.

Kim Ui-chae, chief of the city's Planning and Management Office, was named as first administrative vice mayor, and Hong Sun-kil, president of the Overseas Construction Association of Korea, as second administrative vice mayor.

Kim succeeds Kang Tok-ki as vice mayor, whose duty has been terminated with the institution of the local autonomy system. The post of second vice mayoralty has been vacant.

Kim, age 58, who studied law at Seoul National University, has been a career official with Seoul city. His past duties included city auditor and ward chief.

Hong, age 65, had been with the Construction Ministry, serving as a construction attache in South Vietnam and overseas bureau director. He graduated from law college of Sungkyunkwan University.

More Restrictions on Overseas Investment Lifted

SK0408005995 Seoul THE KOREA HERALD
in English 4 Aug 95 p 8

[FBIS Transcribed Text] Beginning next month, Korean firms will be allowed to make overseas investments in all businesses except for those involving real estate deals, the Finance and Economy Ministry said.

According to ministry officials yesterday, the continuous investment deregulation over the past few years have left only 14 types of businesses still on the restriction list.

The ministry will rewrite the guidelines on overseas investments this month to lift the investment ban on 10 additional businesses, they said. Four real property-related businesses, however, will continue to be restricted.

The 10 business lines to be newly allowed to go abroad are: two merchandise manufacturing business of imitation accessory chains and dyed polyester processing; two non-merchandise manufacturing of drugs and blood products; six primary industries such as making soybean malt and Chinese noodles, picking and processing nuts, raising dog, earthworm and snakes for food, and coastal fishing.

"Outbound investments of businesses have been limited to prevent the influx of inexpensive foreign goods and abominable food items," said a ministry official. "We, however, have decided to lift the bans in line with the deregulation and liberalization policies."

The four forbidden businesses abroad are renting of real estate properties, their development and sale, operation of leisure-entertainment facilities and lodging business.

"Despite the restriction, Korean firms abroad will feel little inconvenience in acquiring real properties for business purposes," the official said. "The conditions are not ripe yet for the individuals to jump into the overseas real estate trading."

To help simplify domestic companies' overseas investment procedures, the ministry will also raise the project value subject for interagency's deliberation for approval to \$30 million or more from the present \$10 million.

While the ministry will relax its restriction on the lines of business that can go abroad, its grip on funding requirements will likely be tightened.

Vice Finance and Economy Minister Yi Sok-chaе told reporters Wednesday that Korean firms making huge overseas investments will have to meet up to 20 percent of the financial costs with their own funds.

Yi said, "Large business conglomerates appear set to rely on only borrowing from financial institutions to finance their huge investment projects abroad."

"Their overseas investments entirely based on borrowing may adversely affect the national economy in case of failure," the official said. "Soaking up the available funds by large businesses are also feared to drain out the liquidity that should otherwise go to smaller firms."

Yi, however, said that small investments abroad will face no restrictions at all. Official said in this regard that only investments valued at more than \$100 million will be applied by the 20 percent self-financing rule.

Foreign Ministry Releases 1994 Emigration Data

SK0408064095 Seoul YONHAP in English
0623 GMT 4 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 4 (YONHAP) — South Korean nationals who emigrated to foreign

countries totaled 14,600 in 1994 while those who abandoned permanent residency or citizenship in their host countries to return to the country numbered 8,200 in the same year, according to a Foreign Ministry's Diplomacy White Paper.

The 1994 edition released Thursday [3 August] says that the number of the emigrants breaks down by country to 7,975 for the United States, 3,462 for New Zealand, 2,356 for Canada, 542 for Australia and 228 for Argentina. The number of the emigrants showed 0.88 percent increase from the previous year.

As many as 5,494 Korean-Americans abandoned their permanent residency or citizenship in the United States in 1994 to return to the country for permanent stay here while 905 Korean residents in Japan did the same in 1994, the White Paper says.

The comparable number for Koreans in Canada was 487 in 1994, for Argentina 378 and for New Zealand 157, according to the book.

The Foreign Ministry meanwhile issued a total of 1,486,563 passports in 1994, up 26.4 percent from the previous year, showing a sharp increase in the number of Koreans touring overseas.

The White Paper tallied the number of overseas Korean residents at 5,228,000 in 1994, comprising 1,940,000 in China, 1,800,000 in the United States, 696,000 in Japan, 460,000 in the Commonwealth of Independent States (CIS) and 330,000 in other regions.

Samsung's Processing-on-Commission Plan Approved

SK0308132495 Seoul MAEIL KYONGJE SINMUN
in Korean 1 Aug 95 p 1

[Report by Chong Sin-chol]

[FBIS Translated Text] Production facilities for domestic television speakers are expected to be installed in North Korea.

Officials from relevant offices and agencies including the Board of Finance and Economy and the Ministry of Trade and Industry held a meeting on 29 July, and finally decided to allow Samsung Company Ltd. to deliver production facilities for television speaker to North Korea on a processing-on-commission basis. This is the first time that the government has officially approved the delivery of production facilities to North Korea for a processing-on-commission trade.

However, Daewoo's plan to deliver production facilities to North Korea for its Nampo complex project, which

was approved by the government as part of inter-Korean economic cooperation in May, has not been carried out.

The television speaker production facilities, which will be brought into North Korea, have one production line capable of producing 200,000 to 300,000 speakers a month. A factory will be located near Pyongyang and the production facilities will be delivered within this year. The television speaker production facilities are known to be basic facilities for electronic products.

A relevant government official revealed that this project was approved with a view to revitalizing processing-on-commission trade between North and South Korea.

He added: "The measures to activate North-South economic cooperation, which will be announced soon, will include the approval of shipping production facilities to North Korea," thus suggesting a full-scale delivery of production facilities to North Korea following the Samsung case.

Meanwhile, an official in Samsung Company Ltd. pointed out that no discussions have been made with the North Korean side over major issues, including the issue of dispatching technicians following the delivery of production facilities. He added that the actual delivery of the facilities is still up to North Korea's will whether to accept them or not, thus showing a lukewarm attitude.

He cautiously said that "Daewoo's entry into North Korea was in accordance with President Kim Il-sung's teaching during his lifetime. However, North Korea, which is reluctant to have economic cooperation with South Korea, may not permit Samsung to deliver production facilities."

The government's recent decision to allow the delivery of production facilities to North Korea will likely decisively influence other production facilities' delivery, and as a result, North-South economic exchanges will enter a new phase. It is also likely that processing-on-commission trade between South and North Korea will expand from the dressmaking industry-centered field to the areas of electronics, electric appliances and automobile parts.

LG Electronics, Tianjin Firm Sign Contract

SK0408000695 Seoul THE KOREA HERALD
in English 4 Aug 95 p 8

[FBIS Transcribed Text] LG Electronics Co. yesterday signed a contract with China's Tianjin Refrigerator Industrial Co. to establish a joint venture for producing air conditioners and microwave ovens in Tianjin.

Kim Ssang-su, chief of LG Electronics's Strategy Business Unit, and Wang Zi Ping, president of Tianjin Re-

frigerator Industrial, inked the agreement on the establishment of the joint venture called LG Electronics Tianjin Appliances Co. at the Tianjin city government building.

LG Electronics and Tianjin Refrigerator Industrial will invest a total of \$99 million in the project, including its paid-in capital of \$50 million, an LG Electronics spokesman said.

LG will take an 80-percent stake in the joint venture, while the remaining 20-percent interest will be held by its Chinese counterpart. General Electric (GE), a global U.S. giant, plans to participate in the joint venture by taking over 31.25 percent out of the LG stake, he said.

The start-up for the plant, with an initial annual production capacity of 200,000 air conditioners and 500,000 microwave ovens, is slated for late next year, said the spokesman. He added that its capacity would be raised to 500,000 and 1.2 million units, respectively, on a long-term basis.

The latest project is part of LG Electronics' efforts to strengthen its presence in China, ranging from the production of electronics home appliances, including color TV sets, VCR's, audio products and color tubes to the sales of the products. To this end, the Korean electronics maker has invested \$300 million in the past three years.

Figures given by LG Electronics show that the penetration ratio for air conditioners and microwave ovens in the urban areas stand at 4 to 5 percent and 2 to 3 percent, respectively.

The air conditioner market, estimated at 3.68 million units, is predicted to rise to 4.46 units this year and 8.59 million units in the year 2000.

The market for microwave ovens was estimated to stand at 1 million units, with an annual increase rate of 25 percent.

LG Electronics plans to participate in GE's project to build a refrigerator plant in China, according to the spokesman.

LG Electronics and GE have maintained amicable ties by setting up a 50:50 sales company with capitalization of \$3 million in Hong Kong in July 1994.

Work on Seoul-Inchon Canal To Begin in 1996

SK0408004195 Seoul THE KOREA HERALD
in English 4 Aug 95 p 8

[FBIS Transcribed Text] An inner city canal passing through the western tip of Seoul and the port of Inchon

will be built by the turn of the century to alleviate heavy inland cargo traffic.

The Construction and Transportation Ministry said yesterday the work on the 19.1-km Kyongin Canal will begin late 1996.

"Feeder container ships with a maximum capacity of 2,500 tons will be allowed on the waterway," a ministry official said. Feeder containers are smaller cargos unloaded from main container ships.

Because the canal is being built for relatively smaller container ships, the water depth will measure only six meters and the width 100 meters.

The canal essentially aims at reducing the ground transportation linking Seoul to port facilities of Inchon.

Also to be built parallel to the waterway is a pair of two-way expressways exclusively devoted to cargo traffic. The cargo expressways will be built on both sides of the canal.

"By 2021, we project the canal to be handling some 46 million tons of cargo on a yearly basis," said the official.

In addition to general cargoes, steel, cement and naval cargoes are also seen constituting the bulk of the traffic on the canal, according to the ministry.

Eight major domestic builders have so far expressed interest in undertaking the project, according to the official at the ministry's river planning division.

Among them are Dong Ah Industrial Co., the construction division of Daewoo Corp., Hyundai Construction & Engineering, and Samsung Engineering & Construction Co.

The project will be on a build-and-operate basis, with the successful bidder being allowed to charge tolls for the canal, explained the ministry official.

Formal bidding will take place late this year, and the selection made by early next year.

The project is valued at 107.6 billion won (\$141 million), of which 74.4 billion won (\$98 million) is earmarked for construction alone. The rest is being budgeted for compensation for land usage and management costs.

The government had first announced the canal project in March.

Tanker Skipper Charged With Negligence

SK0308123995 Seoul YONHAP in English
1052 GMT 3 Aug 95

[FBIS Transcribed Text] Yosu, Aug. 3 (YONHAP) — The Yosu Maritime Police, looking into the oil spill

from tanker "Sea Prince," placed its skipper, Im Chong-min, 41, under arrest Thursday on charges of negligence in line of duty leading to death and sea pollution.

The police also indicted Hoyu Shipping Co., a juridical person, to which the stranded "Sea Prince" belongs, on suspicion of violating the law on the prevention of maritime pollution.

The police suspect that the crew of "Sea Prince" maneuvered the 140,000-ton tanker improperly during the recent Typhoon Faye to make the ship go aground, causing a large oil spill contaminating a vast area.

A police source said the ship's second officer Chong Hu-sok, 39, who was a duty officer at the time the ship went aground, was being questioned, depending on the results of which the police would arrest him.

The police were planning to question some public officials involved in shipping administration to see if there were any faults or wrongdoings on their part, the source added.

Government To Seize Sampoong Owners' Property

SK0408023095 Seoul YONHAP in English
0213 GMT 4 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 4 (YONHAP) — The government will soon take legal measures to attach the property of the owners of the collapsed Sampoong Department Store to compensate the victims of the Sampoong disaster, the Central Disaster Relief Headquarters said Friday [4 August].

The headquarters, which has decided to use the entire property owned by Yi Chun, the store chairman, and his family first to secure funds to be used for compensation, will seek to obtain Yi's letter of intent to donate all his property.

Testifying before lawmakers recently, Yi expressed his intention to give up all his property.

If Yi's property is not enough to make good all losses caused by the collapse, the headquarters will study ways to let the Seoul city government borrow money from banks to meet the need.

Meanwhile, the government decided to give 6,949 million won in financial support to the Seoul city government to help it make matters right in the wake of the man-made disaster.

The Sampoong Department Store building collapsed on June 29, killing 458 people, injuring 318 and leaving 92 others missing. The investigation attributed the disaster to shoddy construction.

The number of businesses which have suffered financial losses from the disaster reached 838 and the amount of damage is estimated at 71.7 billion won (about 94.7 million U.S. dollars).

Burma

KNU 'Press Release' on SLORC Offensive

BK0308015395 (Internet) BurmaNet News in English
2 Aug 95

["Press Release" issued by the Karen National Union
Department of Information on 28 July; place not given]

[FBIS Transcribed Text] Regarding the SLORC [State
Law and Order Restoration Council] military offensives
in Karen Resistance areas

Stepping up of offensive

The KNU [Karen National Union] has been making the effort to resolve the political problems of the country politically by seeking dialogue with the SLORC. However no dialogue has taken place between the two sides, up to this day. In order to facilitate the initiation of dialogue, the SLORC should have suspended or phased out its military offensives. Instead, the SLORC has been stepping up its offensives in the KNU areas, by deploying more than a hundred of its army units. Apparently, the SLORC has leapt into more military adventures under the intoxication of the superficial success gained at the beginning of the year.

Army Units Employed

In Toungoo District — Infantry Battalions #232, #55, #262, #48, #84, #85, #233, #59, #39, #73, #26 and #34, altogether 12 army battalions.

In Shwegin, Kyaukkyi, Mon and etc. townships of Nyaunglebin District — Infantry Battalions #57, #60, #96, #35, #39, #34 and Light Infantry Battalions #349, #350, #351, and #263, altogether 10 battalions.

In Pa-an District — Light Infantry Battalions #204, #209, #203, #210, #207, #201, #205, #202, #339, #338, #317, #335, #208, #2 and Infantry Battalions #10, #28, #38 and #230, altogether 18 army battalions.

In Papun District — Light Infantry Battalions #349, #6, #340 and Infantry Battalions #94, #96, #19, #30, #26 and #39, altogether 9 battalions. Some SLORC army units from Karenni area have entered into the north eastern part of Papun District.

In eastern part of Kawkaik and Moulmein Districts — Infantry Battalions #206, #343, #31, #388, #310, #47, #231, #343, #32, #61 and 6 battalions from the Light Infantry Division #88, altogether 16 army battalions.

In the Tavoy-Mergui District — Light Infantry Battalions #401, #402, #403, #404, #405, #406, #407, #408, #409, #410, #342, #341, #432, #358, #308, #27 and Infantry Battalions #25, #104, #267, and #269, one naval

group and one artillery battalion, altogether about 27 battalions are deployed.

In Thaton, Kyaikto, Bilin and Theinzayat townships of Thaton District — Light Infantry Battalions #101, #107, #105, #106, and Infantry Battalions #24, #36, #18, and #96, altogether 8 army battalions.

Thus, the SLORC has been using a total of about 101 battalions of troops in its offensives in the areas of Karen resistance. These offensive are being launched without any mention in the media. More numerous and worsen than ever are the human rights violations committed by the SLORC troops in these military operations. According to incomplete reports 60 villages have been forced to relocate and 100 villages have been destroyed by the SLORC troops. Villagers from hundreds of villages have to abandon their homes and properties to hide in mountains and jungles. Hundreds of villagers are said to have been killed by indiscriminate or deliberate shootings by the SLORC troops.

In Bawgli areas of Toungoo District, many women, young boys and girls, aged persons and students were reportedly among villagers seized for porters.

Comment by Gen. Secretary of KNU

If the SLORC has affirm commitment to resolve the political problems of the country politically, it has no reason to launch such major offensive against the Karen resistance and perpetrate wide-spread human rights violations. If the SLORC is sincere about holding a dialogue with Karen resistance, it is necessary for the SLORC to cease their military operations and human rights violations against the Karen civilians.

Striking a posture for dialogue and reconciliation on the one hand and launching a large-scale military offensive and perpetrating human rights violation on a greater scale on the other, under medial black-out, are traitorous acts which are counter-productive to the initiation of the process of dialogue and reconciliation.

Whatever the situation of the design of the SLORC may be, the people on the base areas of the KNU will never bear the heinous acts of the SLORC lying down. Resistance against the SLORC will be heightened by all means. However, the KNU will continue to make effort for the meeting of the two sides for talks on the basis of the stated stand of the KNU.

KNPP Leader Reports on SLORC Attacks

*BK0308122695 London BBC in Burmese
to Burma 1345 GMT 2 Aug 95*

[Dispatch from U Hla Pe in Bangkok; from the "Current World Affairs" Program]

[FBIS Translated Text] When I telephoned Raymond Htoo, general secretary of the KNPP, the Karenni National Progressive Party, regarding the latest developments in the clashes between SLORC [State Law and Order Restoration Council] troops and the KNPP in Karen State, he replied as follows:

SLORC forces attacked a KNPP camp between 1400 and 1500 yesterday and overran the camp. They also attacked Kauk Kauk camp, where a KNPP company was stationed, at about 1700 in the evening. The camp also fell to the SLORC troops. It has been learned that Bawlatke camp, situated near Mali Creek, has come under attack; under heavy artillery fire. The KNPP secretary said the attack is still going on.

The KNPP secretary had a telephone conversation with responsible officials in Rangoon. There was no agreement during the conversation and the SLORC suggested that if the KNPP is not willing to talk with them it should approach the mediators. The mediators are Labang Khun Ya, U Soe Myint, and Bishop Phamo, who were involved in the peace talks. The KNPP and SLORC reached a peace agreement in March. The secretary explained that there was no political accord in the agreement. No documents were signed; it was just a verbal agreement. The KNPP rejected the SLORC's statement that the KNPP had returned to the legal fold after realizing the truth, but the SLORC did not heed the rejection.

Moreover, the SLORC and the New Mon State Party [NMSP] reached a peace agreement in Moulmein on 29 June. Similarly, no document was signed; it was just a verbal agreement. Nai Htin, NMSP vice chairman and leader of the NMSP delegation, responded to SLORC's statement that the NMSP had returned to the legal fold after realizing the truth by noting in a speech that it was only a cease-fire agreement. When the news was printed by the government media, however, Nai Htin's remarks were omitted.

Bruneian Communications Minister Visits

*BK0208164095 Rangoon Radio Myanmar in Burmese
1330 GMT 2 Aug 95*

[FBIS Translated Text] A nine-member goodwill delegation led by the communications minister of Brunei Darussalam arrived in Yangon [Rangoon] by air at 1230 this afternoon at the invitation of Lieutenant General

Thein Win, minister of transport of the Union of Myanmar [Burma]. The delegation was welcomed at Yangon International Airport by Transport Minister Lt. Gen. Thein Win; U Tin Aye, director general of the Civil Aviation Department; Thura U Win Myint, managing director of Myanmar Airways; Brigadier General Kyaw Than, commander of Mingladon Air Base; and responsible personnel.

Datuk Haji Zakaria bin Sulaiman, the visiting Bruneian communications minister, and his delegation called on Transport Minister Lt. Gen. Thein Win at the latter's office at 1500 today. Later, the delegations headed by the respective ministers held talks at the Transport Ministry's Meeting Hall. During the meeting, cordial and frank talks were held on an air traffic agreement, tourism expansion, international airport construction works, and bilateral economic development matters.

The communications minister of Brunei Darussalam and party called on U Soe Tha, minister of communications, posts, and telegraphs, at the latter's office at 1600. Also present were responsible personnel from Myanmar Posts and Telecommunications. During the meeting, cordial and frank talks were held on communication matters.

Brunei, Malaysia & Singapore

Malaysia

Warren Christopher Visits 3 Aug

Meets With Mahathir

*BK0308132095 Kuala Lumpur RTM Television
Network 1 in Malay 1200 GMT 3 Aug 95*

[FBIS Translated Text] Prime Minister Datuk Sri Dr. Mahathir Mohamed today received visiting U.S. Secretary of State Warren Christopher at his office in the Prime Minister's Department. Present at the one hour meeting were Wendy Chamberlain, U.S. embassy charge d'affaires, and Tan Sri Ahmad Kamil Jaafar, secretary general of the Malaysian Foreign Ministry.

During the meeting Dr. Mahathir and Christopher discussed several current international issues, among them were the situation in Bosnia, French nuclear testing, U.S.-China relations, Palestine, Cambodia, and Vietnam.

Dr. Mahathir and Christopher shared the view that every nuclear test by any country should be condemned. On the war in Bosnia-Herzegovina, the two leaders remained firm on the principles of their respective country to settle the problem.

Christopher Departs; Visit Recapped

*BK0408103895 Kuala Lumpur Voice of Malaysia
in English 0800 GMT 4 Aug 95*

[FBIS Transcribed Text] U.S. Secretary of State Warren Christopher left for Hanoi today, ending his one-day visit to Malaysia. He was seen off at the International Airport in Subang by Deputy Foreign Minister Dr. Leo Michael Toyad.

While in Kuala Lumpur Christopher held talks with Prime Minister Datuk Sri Dr. Mahathir Mohamed and his deputy, Datuk Sri Anwar Ibrahim, on issues of mutual concern including Bosnia-Herzegovina. Christopher also signed an extradition treaty on behalf of the U.S. that will pave the transfer of suspected criminals between both countries. Foreign Minister Datuk Abdullah Ahmad Badawi signed for Malaysia. Christopher also witnessed the signing of several agreements between the private sectors of both countries.

Prior to visiting Malaysia, Christopher attended the ASEAN Regional Forum and the ASEAN post ministerial meeting in Brunei.

India's Rao Continues Visit; Agreements Signed

*BK0308122295 Kuala Lumpur RTM Television
Network 3 in Malay 0530 GMT 3 Aug 95*

[FBIS Translated Text] Indian Prime Minister P.V. Narasimha Rao, who arrived in Kuala Lumpur yesterday on a four-day state visit to Malaysia, called on Prime Minister Datuk Sri Dr. Mahathir Mohamed at the latter's office today. The two leaders used the opportunity to discuss various current issues as well as bilateral cooperation.

Later, they witnessed the signing of a bilateral trade guarantee agreement between Malaysia and India and two memorandums of understanding on a highway project in India and cooperation in the field of industry. The bilateral agreement involves cooperation in broadcasting between the Malaysian East Asia Satellite, Measat, and India's Doordarshan. They will handle satellite broadcasting services and communications in India.

Meanwhile, the Malaysian Consortium for Space and Telecommunications Research, Macstar, signed a cooperation agreement with India's Antrix Corporation for Antrix to provide consultation services and technical expertise on Malaysia's space program.

Commentary Views Rao's Visit, Bilateral Ties

*BK0408063995 Kuala Lumpur Voice of Malaysia
in English 0810 GMT 3 Aug 95*

[Station commentary]

[FBIS Transcribed Text] The current visit of Indian Prime Minister Narasimha Rao, beside representing the high point in Malaysia-India ties, they also take the existing good relations to a significantly higher stage. A lot of this is due to the commitments and good relations between the leaders of both countries.

Rao has brought along one very important message to Malaysia that two-way trade and investment must reach a new plateau. This is hardly surprising given New Delhi's trust on liberal economic reform. His visit comes at the time when India is actively shaking off decades of conservative, pro-socialist policies to a more open liberalized economy and closer ties with its neighbors.

Since 1991, efforts were taken to cut bureaucratic delays and simplify procedures as part of the on going economic reform process. This is already evident as India's economy appears set for a strong recovery and high growth. There is, without doubt, tremendous potentials for enhancing cooperation.

Malaysia is already host to 42 joint ventures — the second largest number of Indian tie-ups abroad. Indian companies such as BHRL, IRCON, HMT, and Larsen and Turbo have successfully undertaken infrastructural projects such as power generation, railways, and bridge building in Malaysia.

Concurrently, Malaysian firms doing business in India include Renong, Hicom, Telekom, Petronas and Binarang. India is also Malaysia's second largest trading partner after China. So the current quantum and value of Malaysia-India trade is nothing much to talk about.

However, bilateral ties would be cemented further with the signing of the investment guarantee act on several economic accords. They need to be greater pushed by the private sector of both countries.

Just last week, Malaysia's Minister of International Trade and Industry, Datuk Sri Rafidah Aziz, led a trade and investment mission to New Delhi with the sole aim of taking economic cooperation to a much higher level.

Mutually beneficial joint ventures should be set up to this end. Malaysian firms can undertake reverse investment to take advantage of India's abundant supply of labor. This will reduce the cost of production for Malaysian firms which will put them in good state to be more capacitive in the international market place. Also, for firms still importing parts from Japan, thought

the industrial components from India would be cheaper in view of the escalating cost due to the appreciation of the yen. In contrast, the Indian industry could explore possible tie-ups in high technology trade or capital intensive activities in Malaysia.

Having shared a common path, there is indeed much that both countries share. Both are united in the fight against oppression.

The ties became even stronger when Prime Minister Datuk Sri Dr. Mahathir Mohamed visited India in 1993 and 1994. Rao's reciprocal visit would undoubtedly provide the necessary impetus for enhancing relations between Malaysia and India.

Mahathir Criticizes UN at Banquet for Rao

BK0408103795 Kuala Lumpur Voice of Malaysia in English 0800 GMT 4 Aug 95

[FBIS Transcribed Text] Prime Minister Datuk Sri Dr. Mahathir Mohamed says it is more fitting to declare the United Nation's, UN, 50th year anniversary as a day of mourning. This is because the UN has failed to live up to expectation as the guardian of peace and protector for the weak and the helpless. It is ironic that in this day and age, on the eve of its 50th anniversary, the powerful and self-proclaimed defenders of justice, human rights, and peace are being paralysed when faced with genocide perpetrated right in front of them.

He said this at a dinner hosted in honor of visiting Indian Prime Minister V.P. Narasimha Rao at Sri Perdana [prime minister's official residence] in Kuala Lumpur last night.

Dr. Mahathir said as Malaysia and India rejoiced over the economic progress they had made, and the peace and security under which their people live, people in other parts of the world are not so fortunate. He said the people of Somalia, Rwanda, Chechnya, and in particular, Bosnia-Herzegovina are being killed, raped, plundered, and driven out of their countries.

Court Orders Reelection in Gua Musang District

BK0108153695 Kuala Lumpur RTM Television Network 3 in Malay 0530 GMT 1 Aug 95

[FBIS Translated Excerpt] The Kota Bharu High Court ordered a reelection in the Gua Musang parliamentary constituency after the court accepted a petition by Datuk Hussein Ahmad, head of the UMNO [United Malays National Organization] Information Bureau, that it declare illegal the 25 April election in the constituency. [passage omitted on administrative preparations for bye-election]

Commenting on the matter, UMNO Vice President Datuk Sri Najib Tun Razak said the decision was good for the people of Kelantan, especially Gua Musang residents. The decision will enable them to vote on the basis of democratic principles in the same manner as residents of other constituencies. He is confident that the National Front [BN] will win the byelection in the parliamentary constituency on the basis of its performance in the last general election and the people's faith in the BN government.

[Begin Najib recording, in progress] ...The rejection of the candidacy of Datuk Hussein Ahmad [an UMNO candidate] during the last general election in fact meant that the people of Gua Musang had no choice. That was against democratic principles. Thus, a byelection will enable the people of Gua Musang to make a choice in a more democratic, open, and fair manner. [end recording]

Singapore

Editorial Views Sino-U.S. Talks in Brunei

BK0308123895 Singapore BUSINESS TIMES in English 3 Aug 95

[Editorial: "A matter of mutual trust" — received via Internet]

[FBIS Transcribed Text] US Secretary of State Warren Christopher and Chinese Foreign Minister Qian Qichen ended their meeting in Brunei on Tuesday with both sides characterising the talks as "positive" and "useful". Under the circumstances, it was a considerable achievement, and one that brought relief to many. The meeting was the first between the top diplomats of the two nations since Washington allowed Taiwan President Li Teng-hui to visit the US in June. It is symptomatic of the times that relations between the two powers, as well as relations across the Taiwan Strait, are too fragile to withstand this move. Devising steps to put relations back on track is now the major challenge.

At the heart of the conflict is the question of mutual trust, which clearly has been fractured — not just over Mr Li's US visit but over a host of earlier issues: US military sales to Taiwan, China's bid to join the World Trade Organisation, alleged sales of Chinese missiles to Pakistan and Iran, intellectual property rights violations, human rights violations, and, to boot, the case of Harry Wu, the Chinese-American activist imprisoned in China. A 90-minute meeting cannot possibly put right a web of issues as tangled as this.

To be sure, Mr Christopher and Mr Qian are skilled negotiators. Judging by the statements released after their meeting, they seem to have halted the dangerous slide in bilateral ties — for now.

Though short of fully satisfying Beijing's demand for a ban on any future visit by Taiwanese president, Mr Christopher's statements that the US "opposes" Taiwanese independence and "does not support" Taiwan's bid to enter the United Nations are likely to be viewed as strong signals to leaders in both Beijing and Taipei. Without US support, any Taiwanese attempt to get into the UN is unlikely to succeed. For his part, Mr Qian, in outlining the Chinese legal procedures, hinted at possible executive intervention in Mr Wu's favour at the conclusion of the judicial process.

A great deal more needs to be done, but what is important is that Mr Christopher and Mr Qian have set in motion a process — including working level discussions among officials — aimed at finding realistic solutions to the issues that have bedeviled their relations. But if history is any guide, mutual trust comes easier from direct engagement of political leaders at the highest level. The last time bilateral ties frayed — because of Ronald Reagan's campaign pledge to upgrade US relations with Taiwan by selling sophisticated warplanes to the island — it took an exchange of visits by President Reagan and Chinese Premier Zhao Ziyang in early 1984 to restore relations to an even keel.

Washington and Beijing do not have time on their side. On Tuesday, in a sign of deference to presidential prerogative over foreign policy, the US Senate voted to put in limbo an amendment to the State Department's Appropriation Bill that would have required the release of Harry Wu as a precondition for US participation in the UN Women's Conference to be held in Beijing. Though this is not a matter of great import, the point is that such deference cannot be expected to last long. As the US presidential election season approaches, there will surely be more attacks on Mr Clinton's China policy.

Cambodia

Columnist Previews Visit by Warren Christopher

BK0408092295 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 4 Aug 95 p 2

[From the "Political View" column by Khieu Navi]

[FBIS Translated Excerpt] [Passage omitted reviewing relations between Cambodia and United States since the 1950's]

Over 1,300 Cambodians living in the United States wrote and asked that, when Warren Christopher visits Cambodia, he examine the implementation of democracy in Cambodia. Some officials in the Royal Government, as well as a number of people's representatives, are ready to inform Christopher about the issue of hu-

man rights in Cambodia, the Assembly's independence, Sam Rangsi, the fate of some people's representatives, and the press law. However, the prince krompreah [First Prime Minister Norodom Ranariddh] is optimistic and considers that Christopher's visit reflects U.S. acknowledgement of Cambodia's development along a democratic path.

Also related to the visit by Warren Christopher, His Majesty King Norodom Sihanouk has rejected the report which said that the king's return to Phnom Penh on 3 August was planned in order to meet with Warren. The king said in a message that he planned his return trip on 3 August almost a month ago following his final medical checkup on 1 August. This means that his return trip to Cambodia on 3 August and Christopher's visit on 4 August are pure coincidence.

However, the visit to Cambodia by the U.S. secretary of state has created some excitement among some political figures. Does this not reflect Cambodia's great sympathy toward the United States? What about China...?

Ministry Denies Accusing Thailand of Aiding KR

BK0208142795 Phnom Penh National Radio of
Cambodia Network in Cambodian
1200 GMT 2 Aug 95

["Press Communique" issued by the Defense Ministry in Phnom Penh on 2 August]

[FBIS Translated Text] In view of a report published by THE CAMBODIA DAILY on 31 July 1995 that Royal Government forces have accused Thailand of assisting the Khmer Rouge [KR] rebels, the Defense Ministry wishes to make the following denial and clarification:

1. The Defense Ministry of the Royal Government of Cambodia totally rejects the AFP report published by THE CAMBODIA DAILY on 31 July 1995 entitled: Royal Government Forces Accuse Thailand of Assisting Khmer Rouge Rebels.
2. Regarding the report by AFP that Thai civilian and military authorities have helped the Khmer Rouge rebels fighting the Khmer Royal Armed Forces [KRAF] in the Khla Ngoap area, according to reports received by the Defense Ministry no such thing occurred between 30 July and 2 August 1995.
3. In addition, THE CAMBODIA DAILY report did not give the name of the KRAF soldier or commander used by AFP as its source of information. Such a report cannot be accepted as credible.
4. More specifically, the Kingdoms of Cambodia and Thailand are zealously trying to improve their relations.

Phnom Penh, 2 August 1995.

Khmer Rouge Reportedly Poison Government Troops

BK0208111095 *Phnom Penh REAKSMEI*
KAMPUCHEA in Cambodian 2 Aug 95 pp 1, 2

[Report by Peyatro]

[FBIS Translated Text] One hundred and seven government soldiers have been severely poisoned after drinking water from areas near their camp, west of Route 10 some 40 km from Battambang Town.

General In Sidare, the commander of the Fifth Military Region, said the soldiers fell sick on 26 July after drinking water poisoned by Khmer Rouge rebels. The troops included 36 from the 4th division, 52 from Battambang Province, 18 from the Pailin operational zone, and one from the 11th division. Three of the soldiers are seriously ill.

The general added that if the soldiers are not treated on time, they would die, as the poison used by the Khmer Rouge has never been seen before and even doctors do not recognize it.

A 4th division officer said after his troops ate rice cooked with water from ponds in Tuol and Chikrey villages, they vomited and had a burning sensation in their bodies. Nevertheless, thanks to the abundant water from the current rainy season, the poison was less potent. If this had happened in the dry season, the victims would have been killed.

Gen. In Sidare added that this year, the Khmer Rouge have done their utmost to endanger and undermine government troops so they will have the opportunity to strike our forces again.

Khmer Rouge Reject Report on Tonle Bati Prison

BK0208082395 *(Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian* 2330 GMT 1 Aug 95

["Clarification" issued by unidentified Democratic Kampuchea spokesman on 1 August — read by announcer]

[FBIS Translated Text] Australian (Evan Williams) said that a prison was recently found at Tonle Bati, 30 km from Phnom Penh. Wicked warmongers massacring the Cambodian nation and people have made loud noises and are setting themselves up as angels and wisemen. What is the truth?

If this was related to Democratic Kampuchea, it was over 20 years ago. During this period Vietnam invaded Cambodia for 17-18 years. Vietnam committed aggres-

sion in every corner of Cambodia. Vietnam set up an administration that reached everywhere. Over 4 million ethnic Vietnamese plundered the resources — land, water, fish, timber, lakes, and rivers — of Cambodia and of the Cambodian people.

How come Australian (Evan Williams) shouted that a prison was recently found in Tonle Bati? This is amazing. It is so because this guy is a great liar, cheater, and bandit. What is the truth?

The truth is that all these guys have been given money by the United States, Australia, and France to write and prepare video and other documentation to serve the strategies of communist Vietnam, the United States, and the alliance. This guy is like Hun Sen, who was given the title of professor by Vietnam, to serve as a communist Vietnamese lackey and also serve the strategy of communist Vietnam and the alliance.

This guy is like the others, Dit Pran and Hang Hgao, who have been set up by the United States, to attack the Cambodian national resistance forces. The latter has been struggling to liberate and save the nation. It is known that Dit Pran and Hang Ngao are scoundrels selling themselves off to and cheaply serving as foreigners' lackeys.

The Cambodian people are aware of all this. They know that great communist Vietnamese murderers have sent over 4 million ethnic Vietnamese to Cambodia. UNTAC [UN Transitional Authority in Cambodia], the alliance, communist Vietnam, and the two-headed government continue the war to kill the Cambodian nation and people. Who is not aware of this?

Therefore, these guys want to use a winnowing basket to cover up a dead elephant; this cannot be done. The elephant is huge; the basket does not cover even one of the elephant's legs. These guys are waging psychological warfare to deceive people in Cambodia and around the world. They have failed, however, because the Cambodian people and people the world over have known about these problems for centuries.

1 August 1995

Democratic Kampuchea

Indonesia

Military Backs Government Decision on U.S. Aid

BK0308133095 *Jakarta Radio Republik Indonesia*
Network in Indonesian 1200 GMT 3 Aug 95

[FBIS Translated Text] The resumption of the U.S. International Military Education and Training (IMET) program to Indonesia will depend on the Indonesian

Government. The Indonesian Armed Forces [ABRI] fully supports the government's decision on the IMET issue. Brigadier General Suwarno Adiwijoyo, chief of the ABRI Information Service, said this to reporters in Jakarta this evening. The United States stopped its IMET program to Indonesia following the Dili incident in 1991. Indonesia then sought a similar program from Australia.

Legislators Condemn Flag Burning in Australia

BK0308092795 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 2 Aug 95

[FBIS Translated Text] The Interparliamentary Cooperation Agency has condemned the burning of an Indonesian flag in Australia because the incident was very provocative and might lead to the outbreak of conflict. Members of parliament in Jakarta also strongly condemned the incident because it trampled and insulted the dignity of the Indonesian people.

Speaking to reporters in Jakarta, Theo Sambuaga, chairman of the Interparliamentary Cooperation Agency, said the government must lodge a protest over the incident and urge the Australian Government to take concrete measures to ensure that such an incident is not repeated. Theo Sambuaga added that protest demonstrations are Australia's internal affair, but demonstrators burning the flag of a sovereign country is not something that can be tolerated.

Implications of SRV in ASEAN Examined

BK0308092995 Jakarta REPUBLIKA in Indonesian 3 Aug 95 p 6

[Article by Makmur Keliat: "Advantages and Disadvantages of Vietnam's Entry into ASEAN"]

[FBIS Translated Text] Vietnam's admission as the seventh ASEAN member represents a great change in the regional political configuration of Southeast Asia. The admission proves the fallacy of an assumption made by many observers, based on the fact that Vietnam retains communism as its official ideology, that the ASEAN members would find it very difficult to admit Vietnam as a new member.

The subsequent reality, which strongly contradicts the ideological assumption, has in turn prompted observers to attribute Vietnam's admission to the Chinese factor. China's territorial claims in the South China Sea are believed to have created a common awareness between Vietnam and ASEAN about the need to build and develop a common stance. The best way to achieve this objective was to admit Vietnam as a new ASEAN member. With the membership, the pattern of relations in the South China Sea has automatically become

simpler. The pattern was earlier marked by a triangular relationship among China, Vietnam, and ASEAN. There is now a "bilateral" relationship between China and ASEAN following Vietnam's admission into ASEAN.

Several Advantages

The simpler pattern of relations seems to have brought several advantages to ASEAN.

First, China can no longer take advantage of the weakness of the triangular relationship. China's skill in taking advantage of this weakness was very visible, for example, in its first physical presence in the Spratlys following an armed clash with Vietnam in March 1988.

The Chinese attack seven years ago was made possible because the Cambodian issue isolated Vietnam within Southeast Asia. China calculated that the armed action would not affect its relations with ASEAN. Its calculation was correct. Despite ASEAN's concern over the Chinese military action, statistics showed that trade relations between China and ASEAN countries continued to increase. Moreover, China and Indonesia established official relations two years after the armed conflict in the Spratlys. Now we can say that Vietnam's position is no longer marginal in Southeast Asia following its entry into ASEAN. This has minimized China's ability to take advantage of the previous triangular relationship.

Second, ASEAN has boosted its identity as a regional organization that represents all of Southeast Asia. Despite ASEAN's claim to be a regional organization, several observers called ASEAN a subregional organization in reality because only six of the ten Southeast Asian countries were members. We can now say that Vietnam's membership has boosted ASEAN's regional identity, although not all Southeast Asian countries have become ASEAN members.

Third, Vietnam's membership in ASEAN will minimize the differences in geostrategic perception that ASEAN members have about Vietnam's position in Southeast Asia. In particular, differences between Indonesia and Thailand are strongly visible. In general, Indonesia is never afraid of possible Vietnamese expansionism. For Indonesia, a strong Vietnam is useful because it can serve geographically as a buffer against China. Moreover, the fact that both Indonesia and Vietnam gained their independence through armed struggles has created common sentiments and perceptions between Jakarta and Hanoi. Although Indonesia disagreed with the Vietnamese invasion of Cambodia in 1979, it considered the action tolerable [preceding word in English] to a certain extent.

A Number of Anticipations

Unlike Indonesia, Thailand is always suspicious of Vietnam. For Thailand, a strong Vietnam is disadvantageous. This perception is understandable because Vietnam is geographically very close to Thailand. The two countries are separated only by Cambodia. It was thus normal that Thailand would become the strongest ASEAN opponent of the presence of Vietnamese troops in Cambodia. It even served as a conduit for Chinese arms to the Khmer Rouge forces.

Vietnam's entry into ASEAN will definitely minimize the differences in perceptions. As we know, one of ASEAN's benefits is its ability to neutralize the bilateral frictions that have frequently marked relations among its members. Before ASEAN came into being, there were bilateral problems among the Southeast Asian countries; for example, Malaysia and the Philippines had a dispute over Sabah while Malaysia and Thailand quarreled over Pattani. These various disputes have never degenerated into open conflict since ASEAN was born. Vietnam's entry into ASEAN is expected to neutralize the discord between Vietnam and Thailand.

Apart from these three advantages, Vietnam's entry into ASEAN will also create new challenges for ASEAN. First, Vietnam's membership will boost ASEAN's diplomatic power to check China's ambitions in the South China Sea. Whether Vietnam can be used to face Chinese military forces, which are far stronger than ASEAN's, remains uncertain. Second, there has been no official statement from ASEAN on whether Vietnam is automatically bound by ASEAN's commitment to the realization of the AFTA [ASEAN Free Trade Area] and a free trade area within the APEC [Asia-Pacific Economic Cooperation] framework.

Suharto Urges Japan To Aid LNG Project

BK0408102195 Jakarta Radio Republik Indonesia Network in Indonesian 0700 GMT 4 Aug 95

[FBIS Translated Text] President Suharto has called on Japan to assist Indonesia, which will soon build a liquefied natural gas [LNG] megaproject in Natuna, Riau Province, because Japan has always been the largest buyer of Indonesian LNG. The head of state also called on Japan to assist with the construction of the LNG project in Natuna.

Faisal Bada'u, director of the Pertamina state oil corporation, said this to reporters after he accompanied eight Japanese electricity and gas company executives in paying a courtesy call on President Suharto in Jakarta this morning. He said the \$43 billion LNG project in Natuna is scheduled for operation in 2003 or 2004. Faisal Bada'u added that Pertamina and the eight Japan-

ese companies signed an agreement yesterday to extend the \$23 billion LNG purchase contract. The contract covers two purchase periods — one from 2000 to 2010 and the other from 2003 to 2010.

Suharto Calls for Action on Inflation

BK0208164295 Jakarta ANTARA in Indonesian 0728 GMT 2 Aug 95

[FBIS Translated Text] Jakarta, 2 Aug (ANTARA) — President Suharto has called on all quarters to make efforts to curb inflation. This is because July's inflation rate stood at 0.71 percent, bringing the fiscal year's inflation rate to 3.05 percent and the calendar year's inflation rate to 6.09 percent.

Speaking after a limited meeting of cabinet ministers in charge of economic affairs at the Bina Graha presidential office in Jakarta on Wednesday, Information Minister Harmoko said the rising inflation rate is attributed to the higher food price index at [figures indistinct] percent, housing at 0.48 percent, clothing at 0.58 percent, and miscellaneous goods and services at 0.61 percent. Despite a fall in June, the food price index showed a considerable increase in July.

For this reason, the head of state said authorities in several parts in Indonesia that are not yet self-sufficient in commodity goods must make more efforts to launch market operations and increase their stocks to stabilize demand and supply.

The head of state also asked the Trade Department to adopt a flexible stand in handling the cement issue. "Cement production has increased, but its price has also increased. That is why the president has called on Trade Department officials to adopt a flexible stand," said Harmoko.

The president also called on farmers to diversify their agricultural products, namely that farmers should not only grow rice, but also various types of potatoes and nuts.

The limited cabinet meeting, which was also attended by Vice President Try Sutrisno, also discussed loans for small-scale businessmen. In May, these loans stood at 36.593 trillion rupiah with 44.9 percent of the small-scale businessmen obtaining loans of less than 25 million rupiah, and 29.8 percent of them receiving loans of between 100 million and 250 million rupiah. The amount of money in circulation in June was 47.331 trillion rupiah.

The head of state also called for new investments in machinery producing textiles and raw materials for textiles. Textile production must continue to be

increased, especially in view of the coming ASEAN Free Trade Area.

The information minister said Indonesia's exports in May were valued at \$3.771 billion. It comprised \$935-million in oil and gas exports and \$2.836-billion in nonoil and nongas exports. Imports for the same period were valued at \$3.374 billion, which meant that Indonesia had a \$400.7-million trade surplus in May.

Between January and May, Indonesia's exports were valued at \$17.360 billion, with imports valued at \$15.412 billion. This means Indonesia had a \$1.948-billion trade surplus.

The limited cabinet meeting also discussed the situation of strategic commodities such as fertilizers, cement, newsprint, and cooking oil, all of which are in adequate supply.

The meeting also discussed the tourism industry with 286,865 foreign tourists visiting the country in June. As such, the total number of foreign tourists who entered the country between January and June 1995 through its seven gateways was 1,643,933 or an increase of 5.9 percent compared to the corresponding period in 1994. The foreign exchange earned from these visits was 4.3 trillion rupiah.

The information minister also quoted the head of state as saying that celebrations to mark the 50th independence anniversary should not be concentrated in Jakarta alone, but should be held nationwide.

Laos

Foreign Minister Attends ASEAN Meeting

BK0408130195 *Vientiane KPL in English*
0905 GMT 4 Aug 95

[FBIS Transcribed Text] Vientiane, August 03 (KPL) — A delegation of the Lao P.D.R. [People's Democratic Republic] led by Foreign Minister Somsavat Lengsavat took part in the 28th ASEAN Ministerial Meeting (AMM) between July 29-30 in Bandar Seri Begawan, Brunei Darussalam.

In his statement to the meeting, Lao foreign minister expressed thanks to ASEAN member countries, friendly countries and international organisations for their assistance and cooperation on the bilateral and multilateral basis. He also hoped for further support to the efforts of the Lao P.D.R. and for necessary assistance so that Lao P.D.R. will have a capacity to become an ASEAN member in 1997, which coincides with the 30th anniversary of ASEAN.

On July 30 afternoon, a meeting between ASEAN countries which was led by Mr. Abdullah Badawi,

Malaysian foreign minister, and the Lao delegation [sentence as received]. At the meeting, ASEAN praised Lao P.D.R. to become a member of the Association of the Southeast Asian Nations (ASEAN) in 1997. ASEAN expressed its readiness to support Lao P.D.R.'s efforts for ASEAN membership. The declaration of the Lao P.D.R. to be an ASEAN member was said to be an auspicious occasion. It also enhances the roles of the Lao P.D.R. and its peaceful foreign policy.

On July 31, Somsavat Lengsavat held a meeting with Ajit Singh, ASEAN secretary general, who affirmed the readiness of the ASEAN Secretariat to help Laos according to its request.

Lao foreign minister also held meetings with foreign ministers of Myanmar [Burma], Vietnam, the Philippines, Thailand, Australia, and New Zealand. He also held discussions with the director of the Asia-Pacific Department of the United Nations Development Programme (UNDP), and the French director of Asia-Oceania Department.

The ASEAN was formed in August 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei joined the group as the sixth member in January 1984.

In this ASEAN Ministerial Meeting (AMM), ASEAN admitted Vietnam as its seventh member while Cambodia was admitted as an observer. Myanmar applied for membership of the Bali treaty. During the meeting, it was pointed to the aspiration of the group to gather the 10 countries with a population of 500 million in Southeast Asia into ASEAN capable of bargaining with other regions.

LPRP Shows No Sign of Relaxing Grip on Power

BK0408085195 *Bangkok THE NATION in English*
4 Aug 95 p A7

[Report by Andrew Nette]

[FBIS Transcribed Text] One issue guaranteed not to be on the agenda of the upcoming sixth national congress of the LPRP [Lao People's Revolutionary Party] is any suggestion that the party relinquish its political monopoly in favour of multi pluralism.

Taking its line from Vietnam and China, the Lao government has repeatedly ruled out any challenge to the one party system, stressing there is no single rule book for democracy and that political systems should be applied a befit the "special conditions" pertaining to each country's economic and cultural development.

"Entering the new stage amidst the rapid and complex changes in recent years, the Lao People's Revolutionary

Party, by implementing its renovation policy, firmly holds that the Lao People's Democratic State is stable and able to rally the masses to keep political stability and enable the economic, cultural and social sectors to develop further and move forward," Prime Minister Khamtai was quoted as saying by the Lao press on the 40th anniversary of the LPRP this March.

"This is proof that the party's renovation policy is correct and determines the party's leading role in the country's political life that no one and no force can replace."

Officially launched in March 1955, one year after the Vietnamese gained independence from the French, the party adopted the title Lao People's Revolutionary Party at its second congress in 1972.

Despite the fact that it has ruled for two decades, the LPRP continues to be shrouded in secrecy, and little is known about its internal workings and socioeconomic make-up.

"We have to remember that it wasn't until 1975 that the Lao Communist Party even made it self public," said Martin Stuart-Fox, an expert in Lao history at Queensland University. "And after that, party membership was still kept secret to the point where most Lao often had as little idea of who they were as foreigners did."

Recent press reports put the party's current membership at 70,000, up from an estimated 25,000 when it seized power in 1975. They are divided into party cells constituted in all government ministries, army units, mass organizations and state economic enterprises.

Analysts and historians have explained the party's longevity through a combination of its remarkable flexibility and the concrete conditions in Laos, factors which they believed could be reinforced rather than undermined by the transformations presently underway throughout the subregion.

The LPRP's earliest experiment with free market economics dates back to 1979, just four years after it took power. This was gradually increased throughout the 80s, leading to the adoption of full-scale capitalist reforms known as the New Economic Mechanism in 1989.

The transition has been relatively painless in Laos compared to that experienced by other former communist regimes. "Laos was in a better position to move more quickly with reform because in a sense their socialist activities had not penetrated that far," said Dr Grant Evans.

Evans also attributes the stability enjoyed by the LPRP to the fundamental difference between European

and Asian countries. Communist parties of Europe succeeded in industrializing underdeveloped societies, whereas in Asia they remained largely peasant-based in their nature.

He maintains that this is particularly the case in Laos where "The relative isolation of the vast majority of the people from the affairs of the city has made them less interested in political affairs."

Observers agree that no one, neither externally-supported insurgents or domestic opponents, can challenge the LPRP's hold on power in the immediate future.

This view is shared by the government. Referring to the activities of so-called "ill-intentioned groups", Somsavat Lengsavat, acting chairman of the party's Committee for External Relations said in an interview in March that there was "little concern over the problem as long as the majority of the people fully support the party."

The final factor guaranteeing the party's continued rule is Laos' transformation from a buffer state into cross-roads between increasingly economically and politically powerful neighbours. "This has created a situation where it is in the interests of all the surrounding states to guarantee the stability of the central government in Laos," commented one analyst.

The current expansion of Laos' road and communications infrastructure will also further the government's own long-held goal of integrating its geographically and ethnically diverse country into a unified nation state.

Party Congress 'Tentatively Scheduled' for Nov
BK0408105595 Bangkok THE NATION in English
4 Aug 95 p A7

[Article by Andrew Nette: "Pre-congress Nerves Grip Vientiane"]

[FBIS Transcribed Text] A crackdown on business as usual? This is the question being asked by many of Vientiane's residents as they try to assess the atmosphere in the lead-up to the sixth congress of the Lao People's Revolutionary Party (LPRP), the country's highest decision-making body.

Tentatively scheduled for the first quarter of next year, the congress will be preceded in early November by the celebration of the 20th anniversary of the Pathet Lao victory and the founding of the Lao People's Democratic Republic.

"It is quite usual for the government to swing between conservatism and openness, and I have a feeling that

they are in a conservative mood at the moment," said one long-time foreign resident in Vientiane.

As evidence for this he cited the complete absence of foreign newspapers and magazines in Laos over the last month, rumours of an impending campaign against social evils and the recent instability of the Laotian kip.

The latter, the first fluctuation in five years, led to a ban in June on all commercial transactions in foreign currencies. "It unnerved the government," the resident continued, "coming as it did at a time when economically things appeared to be doing well."

"If there is any slight caution in the last couple of months I guess it's because they are coming up to a party congress," said Australian ambassador to Laos, Roland Rich. "It seems to be a normal part of the process that before one of these people take stock and look around and ask where they are going, it's not really a time for bold new initiatives."

Whatever the exact reasons behind these recent events, observers agree that any major moves by the Lao government will be put on hold, pending the outcome of the congress.

Few expect any major changes from the meeting, which is expected to stress continuity and stability. "From an economic, political and security point of view, Laos has left its isolation and is now trying to be part of the region, that's irreversible," said Rich.

On another level, however, the congress faces a key issue: the passing of the older generation of Laotian revolutionaries whose experiences were forged by years of bitter national liberation struggle and Cold War antagonism.

"There is virtually nothing left of the old leadership, most of the key people are dead and there is uncertainty who will take their place," said Dr Grant Evans, an Australian academic, who has written extensively on Laos.

Since the death in late 1992 of long-time Lao leader Kaysone Phomvihane, old age has claimed virtually the entire senior leadership of the LPRP. The most recent of these was Prince Souphanouvong, the best-known Laotian revolutionary leader, who died in Jan 9 at the age of 85.

Remaining are President Nouhak Phoumsavan and party chairman and Prime Minister Khamtai Siphandon. They are the only surviving members of the seven-man politburo selected at the 1982 party congress.

A veteran revolutionary, Nouhak was recruited to the Indochina Communist Party at the same time as Kaysone in the mid-1940s, when he was driving a truck between

Laos and Vietnam. At 69, Khamtai is a career soldier with close links to the Vietnamese military, but has not spent long periods in Hanoi.

The most obvious casualty of this shift is the "special relationship" between Laos and Vietnam which was formed over the 30-year struggle of the Pathet Lao against the U.S.-sponsored Royalist regime.

Although relations between Vietnam and Laos are officially still good, leadership changes in Vientiane and Hanoi coupled with the recognition that ideological solidarity won't pay the bills have led both countries to search for new directions.

"There is a major evolutionary change going on in Laos, centering around a group of younger Lao leaders who are looking to China, Thailand and the West for support, as opposed to the former Soviet Block and Vietnam," said one Western embassy official.

She believes the most visible manifestation of this is the number of Western policy makers and technicians advising the Laotian government, often in areas previously considered sensitive. Many of these are former Laotian nationals who fled the country in the lead-up to and immediately after the Pathet Lao seizure of power in 1975.

The push is spearheaded by the State Committee for Planning and Cooperation, headed by 64-year-old Khamphoui Keoboulapha. The committee has rapidly accumulated enormous power due to its role as the facilitator of foreign investment and aid coming to Laos.

In addition to promoting a generation of second-rung leaders into key positions within the party, the congress is expected to deal with the ongoing problem of bureaucratic and institutional reform, and efforts to spread the benefits of economic growth to 85 per cent of the population who live in the country's rural areas.

As with similar events in China and Vietnam, the congress could see another bout of conflict between reform-minded leaders and more conservative members of the party.

Little is known about the fractional status of the LPRP. Although there are persistent reports of the existence of a significant group of ideologically committed party members known to oppose further change, their influence is believed to have waned since the last congress in 1991.

In particular, the group lost an important leader with the death of respected Pathet Lao veteran Phoumi Vongvichit last year. An LPRP adviser, in the recent

years before his death, Phoumi had become a leading spokesperson on the cultural and political dangers to Laos of too rapid an opening to the outside world.

The other force many analysts will be watching with interest in the Lao military. "The army is the dark horse in the whole process," said Evans. Kept strictly subordinate to the party during the Kaysone years, the military now seems to have growing economic and political power.

"To some extent it's become privatized," continued Evans. "It has access to resources and is no longer directly dependent on the government to allocate a budget."

He believes this more than anything else guarantees the transition of a new group of Lao leaders who will push the reform process even further. "The army has an economic stake in reform ... if there was to be a reversal then the army would have to go back to the way things were in the old days, indicating their old financing structure."

Philippines

MNLF Chief Orders Forces To 'Reject War'

BK0208161295 Manila BUSINESS WORLD
in English 31 Jul 95 p 14

[Report by Sandra S. Aguinaldo]

[FBIS Transcribed Text] General Santos City — Rebel leader Nur Misuari has ordered his men not to wage war should the government and the Moro National Liberation Front [MNLF] fail to come up with a formal peace agreement in Jakarta, Indonesia this September.

In an interview during the last mixed committee meeting between the government and MNLF last week, Mr. Misuari said he has told his men to "reject" war and "reorient" themselves for their new task as peacemakers.

"Unless war is imposed on us, we will continue to reject war against this government," he said.

The rebel leader's stand was seen as a turnaround from earlier pronouncements that the MNLF will declare total war if government refuses to honor the Tripoli Agreement calling for the creation of an autonomous region in Mindanao.

Mr. Misuari said MNLF guerrillas are always reminded to "make preparations for their functions in the future."

"I told them to make new orientations. Whereas before (they) were told to make preparations for war, it's about time (they) make preparations for peace," he said.

In a speech during the closing of the meeting last Friday, the MNLF chief said he is convinced President Ramos

is sincere in his peace initiatives, adding that the MNLF, for its part, will give peace a maximum chance."

"President Ramos is sincere and the MNLF would want to reaffirm its commitment to peace. We said it then and we are saying it now, the MNLF is ready to give peace a maximum chance."

However, there are still a few issues still unresolved and among them is the mechanism to be used for the establishment of an autonomous government in the south. The MNLF is of the opinion that the Tripoli Agreement, signed by both parties in Tripoli, Libya in 1976, can only be properly implemented if all the 13 provinces are turned over to the MNLF. The government has argued that for the provisional government to be legal, its establishment should be ratified by a plebiscite.

During the same meeting, Mr. Yan also asked Mr. Misuari to run as governor of the existing Autonomous Region for Muslim Mindanao to break the impasse over the establishment of a provisional government. Another proposal was to amend the Constitution. However, this also requires a plebiscite.

Mr. Misuari asked the government for more time to consult his people. Some quarters said Mr. Misuari's failure to outrightly reject the proposals has weakened the MNLF's bid.

Government, MNLF Agree on Joint Police Force

BK0408123595 Manila PHILIPPINE DAILY
INQUIRER in English 3 Aug 95 p 2

[Report by Stella O. Gonzales]

[FBIS Transcribed Text] Negotiators of the government and the Moro National Liberation Front [MNLF] have agreed to establish a joint police force in Mindanao.

Manuel Yan, chief government negotiator, said the proposed security force will be composed of members of the Philippine National Police [PNP] and the MNLF.

But Yan said the proposal will still have to be approved by the leaders of both sides after a peace pact containing all agreements shall have been finished.

"We have agreed to formulate steps toward the establishment of the regional security force," Yan said in an interview after attending Tuesday's Cabinet meeting.

He said the size of the PNP and the MNLF forces that will constitute the security group still has to be decided.

MNLF members of the force, according to Yan, should comply with the requirements for PNP members.

Last week, the government and MNLF panels held the sixth mixed committee meeting in General Santos City

where they agreed to meet in Jakarta in October for the third round of formal talks.

The next meeting will cover two issues — integrating MNLF units with the Armed Forces of the Philippines and the holding of a plebiscite before the creation of an MNLF provisional government in Mindanao.

President Ramos yesterday commended members of both panels for the progress of the talks.

"I'm very happy to note that we are steadily gaining ground in the peace process in the Southern Philippines," he told his regular press conference.

Mr. Ramos praised MNLF Chair Nur Misuari for "approach(ing) the peace process with a new spirit of diplomacy and goodwill."

"Our quest for a just, honorable, and permanent peace, not only enduring but permanent peace, will ultimately lead to sustained progress and social equity," the president said.

"I'm confident that as far as the Southern Philippines peace process is concerned, that the goals of both sides are finally within reach," he added.

Thailand

Outgoing U.S. Ambassador To Bid Farewell

BK0408061995 Bangkok THAILAND TIMES
in English 4 Aug 95 p A3

[FBIS Transcribed Text] Bangkok: Outgoing U.S. Ambassador to Thailand David Lambertson is scheduled to meet Prime Minister Banhan Sinlapa-acha at Government House to officially bid farewell to him, a Government House source said yesterday.

The source, who is in charge of arranging the prime minister's schedule, said the exact date of the meeting has not yet been decided.

Lambertson's visit on Tuesday to former prime minister Chuan Likphai, now the Opposition leader, to bid him farewell has irked government spokesman Somsak Pritsanananthakun who said the visit could be regarded as a snub against Banhan.

The U.S. Ambassador is as well scheduled to meet Deputy Prime Minister Amnuai Wirawan at Government House today.

Australia's Joining of ASEM Questioned

BK0408113595 Bangkok BANGKOK POST
in English 4 Aug 95 p 1

[Report by Phanrawi Tansuphaphon]

[FBIS Transcribed Text] Bandar Seri Begawan — The 28th ASEAN Ministerial Meeting ended here yesterday with a big question mark hanging over whether Australia and New Zealand should be allowed to participate in the first Asia-Europe Meeting (ASEM) in Bangkok early next year.

Malaysian Foreign Minister Mohamad Badawi stressed at the press conference at the closing that Australia is not part of Asia.

"If I look at a map, I believe that it says that Australia is not part of Asia," he said, adding however that Australia "is increasingly looking towards Asia and is more with us and is increasingly identifying itself with some of Asia's concerns."

Australian Foreign Minister Gareth Evans questioned why Australia is not considered part of the region when it is participating in the Asia-Pacific Economic Cooperation, the ASEAN Regional Forum and has close cooperation in the fields of trade, economic and security with Southeast.

(Reuters reported that the Australian delegation distributed copies of a map at the meeting Wednesday which showed Australia approximately in the centre of an eastern hemisphere with Siberia at the top and Antarctica at the bottom.)

The Asia-Europe Meeting was initiated by Singapore and France.

Malaysia is the only country which is opposing inclusion of Australia and New Zealand on the Asian side, as proposed by Japan.

During the meeting between ASEAN and the European Union this week, both sides agreed to launch the first ASEM in Bangkok as a small group.

Asian leaders at the meeting will come from the ASEAN Seven plus Japan, China and South Korea, while from Europe will be the 15 European Union leaders and the European Commissioner.

An ASEAN diplomatic source said after discussion among all ASEAN member countries, Malaysia's lone opposition to the inclusion of Australia and New Zealand in ASEM is weak.

"Malaysia informed their ASEAN colleagues that the first meeting should be small, but it is ready to review

the list of participants in the subsequent rounds of Asia-Europe Meeting," the source said.

If Australia and New Zealand are represented in the ASEM, there is a possibility for these two countries to be part of the East Asia Economic Caucus (EAEC), the source added.

"The reason why there is objection to Australia and New Zealand taking part in ASEM as well as the EAEC is because they have western political system and thinking. As a result, they may bring up the linkage between trade, human rights and democracy," he pointed out.

Thai Foreign Minister M.R. Kasemsamson Kasemsi said ASEAN did not want to dissociate Australia and New Zealand from the Asia-Europe dialogue, but these two countries will definitely not be included in the first round. "Australia looks upset," he added.

During the press conference, Japanese Foreign Minister Yohei Kono said he hoped the Burmese government would carry on attempts to improve democracy and human rights situation in the country.

"The release of Aung San Suu Kyi was initiated by the Burmese government, and I don't think that isolation of Burma will lead to such an initiative," Mr Kono said.

Australia told ASEAN that the release of Aung San Suu Kyi was only the first step in the long road towards democracy in Burma, and therefore, ASEAN should not reward the Rangoon too soon by giving it more role in the association.

Outcome of ASEAN Meeting in Brunei Hailed

*BK0408061395 Bangkok THAILAND TIMES
in English 4 Aug 95 p A4*

Editorial: "ASEAN 'Confidence Building' Bearing Fruit"]

[FBIS Transcribed Text] Within the Southeast Asian region, it is worth noting how "confidence building" measures have brought about the close cooperation and understanding shown at the just concluded ASEAN Ministerial Meeting (AMM) and the ASEAN Regional Forum (ARF) at Bandar Seri Begawan in Brunei. This was especially evident between ASEAN and Japan, one of the dialogue partners.

The ASEAN Post-Ministerial Meeting of permanent officials of the seven-nation association exemplified the potential for further development not only in economic and technology transfer but also in the industrial spheres with the dialogue partners consisting of Japan, Australia, Canada, the European Union, New Zealand, South Korea and the United States.

This could turn into a significant working mechanism which could prove over the years to be a useful instrument in assisting ASEAN member nations to join forces with each other on a regional and international basis for the development of the region as a whole.

In an effort to expand ASEAN to include all 10 nations in Southeast Asia and to assist the Indochinese states of Cambodia, Laos and Vietnam, and our northwestern neighbor Burma, who is now committed to join ASEAN before the end of the century, Thailand has decided to become a donor country. As such it will assist these states by undertaking technical assistance in areas such as banking, finance, agriculture and marine resource development and providing facilities to enhance the teaching of languages and other educational developments in that region.

While Japan is acclaimed as a highly developed nation, ASEAN members have not hidden their determination to develop their individual economies to an equal degree by early next century. Towards this ambitious goal, Thailand along with other ASEAN members will have to promote industrial linkages for foreign and regional enterprises.

It must continue to enhance and promote the flow of foreign investment into the region, particularly in direct investments and industrial developments which can upgrade the technological capability of the ASEAN region.

It is in this area that ASEAN will have to solicit financial and technological cooperation from Japan. Such assistance is necessary to improve and upgrade existing educational and technological training centers. With the right mix of professionals, semi-professionals, craftsmen and artisans to meet the envisaged industrial development needs of the Kingdom and the region, the goal is not be a far fetched one.

It must be acknowledged that since the '80s, successive Japanese governments and its private sector have trained and imparted Japanese work ethics and technology to trainees from ASEAN with on-the-job training at Japanese workshops and other training institutions. An encouraging sign has been the blending of local ethics with Japanese work principles which have made an impact on output and industrial developments in the Kingdom and the region.

With the Banhan government committed to ASEAN regional development and the envisaged goal of making Thailand the center of commerce in this region, it has become imperative to encourage the setting up of capital-intensive and technologically sophisticated industries in Thailand. In other words, Thailand should

encourage Japan to invest more in the underdeveloped provinces in the Kingdom.

ASEAN's attempt to develop regional areas within member states, particularly regional economic growth areas, AFTA certainly appears to be the only vehicle to reach these objectives. With the accession of Vietnam as a member, ASEAN has become a market of 420 million, larger than that of the United States or the European Union.

With vision and determination Thailand together with its ASEAN partners should develop further their healthy relationship by linkages between the private and public sector enterprises of member states and Japan. In this "confidence building" process one cannot afford to overlook the importance of China and other dialogue partners to steer the complementary industries that will lead AFTA into the envisaged ASEAN Free Trade Area on time.

Editorial Hails Rapid ASEAN Trade Expansion

*BK0408110095 Bangkok BUSINESS DAY in English
4 Aug 95 p 4*

[Editorial: "AFTA Courageous Step Towards a Common Goal"]

[FBIS Transcribed Text] Trading among members of the Association of Southeast Asia Nations (ASEAN) has been on a steep rise, registering \$85 billion in 1993 and increasing by 38 percent the following year to \$117 billion. No other regional economic grouping in the world comes close in terms of trade expansion, economic dynamism and, above all, potential.

The good is getting even better as tariffs are reduced in accordance with the agreement under the ASEAN Free Trade Area (AFTA). The AFTA target date for achieving free trade is now set for the year 2003, and considering the speed of economic expansion in ASEAN economies, it is not unreasonable to expect total trading volume in the neighborhood of \$300 billion by the time all tariffs are removed. In fact, the gradually phased-in tariff reduction process now in place will make the year 2003 anti-climactic, since it will merely denote the end of the process rather than its beginning.

Now comes a proposal by Sultan Hassanal Bolkiah of Brunei to accelerate the pace of trade liberalization even more by moving the target year for complete free trade to the year 2000.

So far the responses to Brunei's initiatives have been predictable.

Countries with actual or imagined needs for protectionism in certain key industries, notably the Philippines

and Indonesia, are understandably reluctant to take the plunge into the world of regional free trade without first having the time to prepare certain key industries for the effects of competition. At the other extreme, super-competitive Singapore and wealthy Brunei have much to gain from joining the fray. Malaysia also appears to be ready for an accelerated pace towards regional trade liberalization. Thailand has mixed feelings, for the obvious reason that too much free trade too soon may undermine protected industries. The newest ASEAN member, Vietnam, will enjoy a grace period and does not have to fear the onslaught on competition in the very near future.

In view of the rapid expansion in trade among ASEAN members and the serious adjustments that certain ASEAN members will have to make if the pace of trade liberalization is significantly accelerated, staying with the 2003 target year is a reasonable course of action. The opportunity cost for the more competitive economies is not high between the years 2000 and 2003, on the other hand, real costs to certain industries in the less competitive economies will be high if they are forced to face competition prematurely.

One must also consider that the AFTA free trade agenda is already on a fast track. By comparison, the time line for the Asia Pacific Economic Co-operation (APEC) is 20 years or more.

The spirit of ASEAN co-operation will prevail, and a compromise acceptable by all members will emerge from the discussion on the Brunei proposal. One possible method of compromise will be through the use of exclusion lists. Whatever shape or form the compromise may take, one thing is certain: A strong foundation for mutually beneficial economic relationships is in place, and generations to come will look back upon this time as a moment during which the leaders of ASEAN had the foresight and the courage to work together towards a common goal.

Envoy Visits Suu Kyi Despite Burmese Warning

*BK0308133695 Bangkok THE NATION in English
3 Aug 95 pp A1, A3*

[Report by Yindi Loetcharoenchok]

[FBIS Transcribed Text] Thai Ambassador to Rangoon Poksak Nin-Ubon will visit opposition leader Aung San Suu Kyi this afternoon, despite being warned off by the Burmese junta last week, according to informed ASEAN diplomatic sources.

At the instruction of the Foreign Ministry, Poksak last week made arrangements to meet Suu Kyi, but was

warned last Thursday by the Burmese Foreign Ministry to reconsider.

The sources said that as a matter of courtesy, Poksak had informed a senior Burmese official of his planned meeting with Suu Kyi, but was told to think again. The Burmese said the timing was "inappropriate" because it would clash with the meeting of Asean foreign ministers in Brunei.

At that time Burmese Foreign Minister U Ohn Gyaw was attending the ASEAN meeting as the guest of Brunei.

According to the sources, Poksak will call on Suu Kyi at 3 pm today, becoming the first ambassador from an ASEAN country to establish direct contact with her.

Poksak, according to one source, had explained to the Burmese official that the meeting with Suu Kyi was a "Thai goodwill gesture" and pointed to similar meetings other Rangoon-based ambassadors had with the 1991 Nobel Peace Prize laureate since her unexpected release on July 10.

ASEAN diplomatic sources, however, said ASEAN ambassadors had to postpone a planned joint luncheon with Suu Kyi last Friday after a strong verbal and written protest from the Burmese junta, who warned that the gathering was an interference in the country's internal affairs.

Malaysian Ambassador to Rangoon John Tenewi Nuek, dean of the ASEAN diplomatic corps in Burma, had extended a luncheon invitation to the 50-year-old pro-democracy leader on behalf of ASEAN countries.

Suu Kyi had accepted, but was later informed that the luncheon must be postponed, according to the sources, who declined even to be identified by their respective countries.

Officials from one ASEAN country yesterday denied that the regional grouping had completely backed down after the Burmese Foreign Ministry summoned the Malaysian envoy last Thursday to receive an aide-memoire and verbal protest over the planned meeting with Suu Kyi.

Ambassador Tenewi Nuek was not available for confirmation yesterday. A Malaysian embassy official said by telephone that the envoy had returned to Malaysia and would not return to work until today.

Thai Foreign Ministry officials in Rangoon and Bangkok yesterday declined to comment on Poksak's meeting and the ASEAN luncheon. They said all questions should be addressed to higher authorities or to Foreign Minister M.R. Kasemsamoson Kasemsi.

Since her release, Suu Kyi has had a busy schedule, meeting her political colleagues in an attempt to consolidate her political party, the National League for Democracy. Her schedule has often been interrupted by media interviews and meetings with diplomats from Western and Asian countries, including Japan.

Holds Hour-Long Talk 3 Aug

BK0408061595 Bangkok THE NATION in English
4 Aug 95 p A1, A3

[Report by regional news reporters]

[FBIS Transcribed Text] Thai Ambassador to Rangoon Poksak Ninlubon, arriving with a bouquet in hand, yesterday met for an hour with Burmese opposition leader Aung San Suu Kyi, becoming the first ASEAN envoy to make official contact with her since her release.

The encounter took place after Thai Foreign Minister M.R. Kasemsamoson Kasemsi had informed his Burmese counterpart U Ohn Gyaw in Brunei last week of the ministry's plan to send Poksak to meet the 1991 Nobel Peace Prize laureate.

Ohn Gyaw had expressed no opposition to the move, saying that individual ASEAN member countries could contact Suu Kyi, but not as a group, as such a gathering could constitute ASEAN recognition of the Burmese pro-democracy leader, according to well-informed Thai officials who declined to be named.

"The SLORC [State Law and Order Restoration Council] is probably aware and concerned that allowing ASEAN ambassadors to meet with Aung San Suu Kyi as a collective group would equate to her the same status it has enjoyed — a government representative," said one official.

SLORC, or the State Law and Order Restoration Council, is the military regime in Rangoon which has ruled the country after staging a coup in September 1988.

ASEAN ambassadors to Burma had to cancel their planned joint luncheon with Suu Kyi last Friday after the Burmese Foreign Ministry summoned Malaysian Ambassador John Tenewi Nuek to protest, saying the gathering would constitute interference in Burmese domestic affairs. As dean of ASEAN's diplomatic corps in Rangoon, Tenewi Nuek had extended an invitation to Suu Kyi on behalf of ASEAN.

ASEAN diplomats have since defended the move and said the joint luncheon was only postponed, not cancelled.

Indonesian Foreign Minister Ali Alatas expressed surprise when approached yesterday for comment about the

planned ASEAN luncheon, saying he was unaware of such an initiative.

Asked whether he knew that Malaysia was acting on behalf of ASEAN, he then told the reporter to address the question to Malaysia.

"I am not aware of that. I don't think we have that (luncheon) initiative," said Alatas.

An eye-witness said during a long-distance phone interview that the Thai envoy, carrying 'a bouquet of beautiful flowers,' arrived at Suu Kyi's residence at 2.50 pm local time in a Mercedes Benz. The scheduled appointment was set for 3 pm.

He was seen leaving the compound around 4.15 pm. Poksak, who was followed by reporters to the Thai embassy, declined to comment about his talks.

Although Philippine Ambassador to Rangoon Sonia Brady was present at Suu Kyi's first press conference on July 11, Poksak is officially the first ASEAN envoy to have an official meeting with her.

In Rangoon on July 27 Poksak informed a senior Burmese Foreign Ministry official of his intended meeting, initially scheduled for last week, with Suu Kyi, but was cautioned to reconsider the timing of the encounter which coincided with Burmese Minister Ohn Gyaw's presence at the ASEAN ministerial forum in Brunei. The meeting, which Thailand defended as a "Thai goodwill gesture", was eventually rescheduled to yesterday.

In Brunei, Ohn Gyaw presented to ASEAN foreign ministers the SLORC's official accession to the 1976 ASEAN Treaty of Amity. The accession is the first move towards becoming an ASEAN observer and eventually a full member.

In Brunei, Kasemsamson said yesterday that somebody had accused him of conducting a "double edged" policy with Burma, recognizing both the SLORC and the opposition.

"We have to lend every kind of support to Burma in order that Rangoon would learn how to develop towards democracy. We should maintain a concerted effort to help Burma," Kasemsamson said.

Defence Minister Gen [General] Chawalit Yongchaiyut will leave today for Burma in an attempt to use his personal ties with SLORC leaders to improve bilateral relations.

Chawalit, also deputy prime minister, earlier sent former military intelligence chief Gen Phat Akkhanibut, who is his close personal aide and confidant, to Rangoon to arrange for his meetings with top SLORC leaders.

Banks Plan To 'Step Up' Activities in Indochina

*BK0308084995 Bangkok BANGKOK POST
in English 3 Aug 95 p 19*

[FBIS Transcribed Text] Thai commercial banks, led by state-owned Krung Thai Bank, will help Indochinese countries further develop their banking and economic systems at the urging of Finance Minister Surakiat Sathianthai.

The reason is simple, the minister said: if business is good in neighbouring countries, it means more business for Thai banks and investors.

The Bank of Thailand and some commercial banks have been involved in Indochina in various development schemes but Dr Surakiat believes it is time for commercial banks to step up their activities.

Krung Thai bank will take the lead in offering training and other services in Laos, Cambodia, and Vietnam, the minister said during a visit to the bank's head office yesterday.

The Bank of Thailand and the Fiscal Policy Office of the Finance Ministry, meanwhile, are to study the establishment of an economic development fund. They will report the results in two weeks. Krung Thai Bank will study the operation of an educational fund in neighbouring countries.

Dr Surakiat said the idea of an education fund came from KTB [Krung Thai Bank] president Sirin Nimmanhemin.

Mr Sirin said the education fund would support personnel development in the money and capital markets, and make various technologies more widely available in Indochinese countries. The funds will be raised from state enterprises but the amount is not yet known.

He noted that in the past Krung Thai Bank has granted scholarships to bankers from Indochinese countries.

The Indochinese economic development fund, meanwhile will arrange soft loans to finance infrastructure development.

Krung Thai Bank has been in the forefront of human resource development, sending its staff to top business schools in the United States such as Harvard Business School and Wharton School of Finance.

He wants KTB to maintain its leadership in the money market and keep its fiscal discipline in line with Government policies, especially in terms of extending credit to rural areas.

Acting as a leading bank for the monetary authorities means it will operate more or less as the central bank's arm in implementing Government policies.

KTB is awaiting Finance Ministry approval of its request to be upgraded to a grade 'A' state enterprise. This will give it more autonomy and enable the bank to meet stiffer competition.

In order to facilitate expansion, the bank wants the Finance Ministry to cut the amount it must remit to the state from the current 40 percent, according to executive vice-president Dusit Tangniyom.

The Finance Ministry is aware of the problem and is awaiting a formal proposal from the bank, he said.

State enterprises are required to remit between 30 percent and 50 percent of their profits to the Government. But only two of these enterprises—KTB and Thai Airways International—are listed on the stock market.

As a result the bank pays out some 40 percent of its net profits in shareholder dividends. Last year KTB earned 8.15 billion baht and remitted 3.26 billion baht to the Government. The bank has to pay 30 percent corporate income tax to the state as well.

The bank must also meet the regulations of the Bank of Thailand, maintaining a risk asset to capital fund ratio at 9 percent (the minimum is 8 percent). It must also keep its doubtful debt reserve at 100 percent in line with the Bank for International Settlements rules.

Complying with all these rules means that Krung Thai Bank needs more capital than other state enterprises, even THAI [Thai Airways International], in Mr Dusit's view.

The need to operate a full-cycle business and venture into new profit-making areas led the bank to increase its registered capital from 13.5 billion baht to 14.8 billion baht earlier this year.

French Attitude on Health Worries Criticized

BK0408085595 Bangkok *THE NATION* in English
4 Aug 95 p A5

[FBIS Transcribed Text] The French government was accused at a panel discussion on Wednesday night of ignoring the effects past nuclear tests have had on the health of people in the South Pacific by deciding to resume tests in French Polynesia.

A representative of the French embassy in Bangkok, however, dismissed the health concerns as being "theoretical".

Denis Barbet, an official speaking on behalf of the French government at a panel discussion held at the

Foreign Correspondents Club, defended the decision to resume the tests at Mururoa Atoll in French Polynesia as necessary for "maintaining the safety and credibility of our (nuclear) deterrent".

Another member of the panel discussion, ex-Greenpeace member Faith Doherty, read off a list of health problems thought to have resulted from past nuclear tests in French Polynesia.

The first 44 such tests, conducted between 1966-75, were atmospheric tests, taking place above ground, she noted. Since 1975, nearly 150 more tests have been carried out underground at Mururoa and the neighbouring atoll of Fangataufa.

"The issues surrounding this are not just about the tests themselves, but also the state of Mururoa atoll, the dumping of radioactive waste, and the health hazards of communities living hundreds of miles away," said Doherty.

"Radiation has no boundaries and to say that Mururoa was chosen because of its isolation, thus making it safe, is ridiculous. Winds and the ocean itself are able to transport radioactivity that is believed to be seeping out from the atoll."

In July, 1981, she said, the French magazine "Actual" reported that Polynesians suffering from cancer were being flown out in secret by military planes to military hospitals in France. There were reportedly 50 such cases in 1976, 70 in 1980 and 72 in the first six months of 1981.

Barbet, however, said the French embassy disagrees with these conclusions. The link between the nuclear test operations and these health concerns is only "theoretical", he said.

Robert Kamiol, a correspondent who specializes in military affairs and also sat on the panel, said the long-term impacts on the testing is probably of greatest concern.

Land Scheme May Provoke 'Major Controversy'

BK0408063395 Bangkok *THE NATION* in English
4 Aug 95 pp A1, A3

[Report by Somruthai Rawang and Amonrat Mongkhonchat]

[FBIS Transcribed Text] Deputy Interior Minister Suchat Tancharoen said yesterday he would ask the Land Reform Office to back down and settle the confusion over ownership of 180,000 rai of public land that overlaps designated land reform areas in favour of long-time claimants.

Critics, as well as the opposition, charged that the new government was courting a major controversy with this new move, which they said could result in many rich land encroachers being given legitimate land ownership.

Democrat leader Chuan Likphai, whose government collapsed because of a land reform scandal, suggested yesterday that the new administration's idea favoured the rich even more obviously.

Suchat claimed that the move was initiated by Land Department officials concerned about full land ownership certificates they had already issued or were about to issue to tens of thousands of people in 162 districts and sub-districts throughout the country.

The holders of full ownership certificates and prospective recipients were people who had evidence they had laid claim to the public land before 1954, the deputy interior minister said.

"Although the Land Department and the Land Reform Office will not discuss the issue until Monday, I believe all long-time claimants of public land later incorporated into designated land reform areas should get the full ownership certificates for all the land they have rightfully laid claim to," he said.

The deputy interior minister said a Juridical Council ruling was made in 1992, saying that the Land Department had no power to issue full land ownership certificates to claimants of public land located within designated land reform areas.

As the result, holders of the ownership certificates covering 120,000 rai already issued, and prospective recipients of ownership title deeds for another 60,000 rai, had been left in limbo regarding their legal entitlement to the land.

The problem came about because the Land Department continued to issue full ownership certificates to claimants, even after the Land Reform Office designated the areas in question as land reform areas.

The issuance of full title deeds by the Land Department stopped only after the Juridical Council ruled in favour of the Land Reform Office in 1992.

Suchat's latest move is consistent with the proposal made by the Interior and Agriculture ministries to separate the legal settlement of land disputes between the state and private citizens from the land reform programme by scrapping the May 4, 1993, Cabinet resolution.

The 1993 resolution subjects all long-term claimants of public land to the framework of the land reform programme, which sets the maximum amount of land which can be distributed to each recipient at 100 rai.

Suchat admitted that his father had laid claim to more than 2,000 rai of public land in Chachoengsao's Sanam Chaikhet and Phanom Sarakham Districts, but claimed that he already had full ownership certificates for all of the land.

"My father got his full ownership certificates more than 10 years ago," he said.

Opposition members said the government's plan would make it easier for claimants of public land, including some politicians and rich and influential people, to obtain full ownership on vast areas.

The opposition lawmakers said the move would deprive the Land Reform Office of a large amount of land which could be otherwise distributed to needy farmers.

Meanwhile, Land Department Director General Prinya Nakchattri said yesterday he had been told by Suchat's secretary to gather information regarding ownership certificates for the 180,000 rai of land in question for the Monday's meeting with the Land Reform Office.

Prinya confirmed that the Land Department continued to issue ownership certificates to long-term claimants even after the Land Reform Office's designation of land reform areas in 162 districts and subdistricts because of a lack of a clear-cut legal solution.

Legal experts said the problem would be the fact that the designated land reform areas announced by the Land Reform Office covered whole districts and subdistricts without exception.

Asked about the vast plots of land claimed by Suchat's father, Prinya said he had heard of reports to that effect, but did not know specifically where the land was or its legal status.

Review of Conditions for Insurance Market Asked

BK0308073595 Bangkok BANGKOK POST
in English 3 Aug 95 p 17

[Report by Somphon Thapanachai and Saman Sutto]

[FBIS Transcribed Text] General Insurance Association has asked the Commerce Ministry to review conditions on the opening of local insurance markets.

The association's president Sarawut Phasuwanitphong said they viewed that the widening of insurance markets for local investors will create too much competition in the industry, which would finally hurt the whole industry.

The existing 62 general insurance firms already face tough competition with a limited group of customers

through many price-cutting marketing strategies as well as competing for personnel at relatively high payments.

The establishment of new insurance firms by local investors will create more pressure and would not benefit the public because high marketing costs of both old and new firms mean insurance policies would not be cheaper.

The Commerce Ministry announced it would liberalise local insurance markets in three steps:

- to open more local insurance firms;
- to increase foreign stakes in insurance companies from 25 percent to 49 percent; and
- to allow new foreign insurance branches to open.

The association supported a government plan to open insurance markets for foreign firms under commitments that Thailand was bound to the World Trade Organisation.

Mr Sarawut said association members realised it is not possible to oppose an international trend to liberalise insurance markets, but they wanted the Commerce Ministry to review its condition to open the local market again.

The association made its comment during a courtesy call to Commerce Minister Chuchip Hansawat yesterday.

It was still unclear to investors whether to seek new licenses companies were prohibited from having shares in existing insurance companies. [sentence as published]

The Chuan Likphai government was prepared to consider this issue in Cabinet after the general election last month. But it left the issue pending to avoid criticism.

Now, there are nine applicants seeking new licenses to set up general and life assurance companies. The application period will last until September 7.

A committee chaired by Permanent Secretary of Commerce will screen applications before they go to the minister and Cabinet.

Mr Chuchip said he will maintain a policy of more liberalisation of local insurance markets as he wanted to see more general insurance firms in the market. But he did not mention that he will review conditions of opening new branches as requested by the association.

Mr Sarawut said the Commerce Minister promised to review conditions again.

He said the association will cooperate with Insurance Department to promote insurance policies, particularly fire insurance because they would create public stability.

Vietnam

Clinton's Normalization Announcement Viewed

BK0308110695 Hanoi Voice of Vietnam Network
in Vietnamese 1430 GMT 2 Aug 95

[Article by Ho Quang Phuong from QUAN DOI NHAN DAN; date not given: "Useful Thought for the Future"]

[FBIS Translated Text] It is no coincidence that the 11 July speech by President Bill Clinton on the normalization of relations with Vietnam has been awaited, analyzed, and commented on with so much attention in the United States and the world. Some people believe that in many respects it was not a normal speech on the resumption of normal relations with a country. Deep down, in view of history and in light of present knowledge, it was really an announcement of the end of a war that the United States has not been able to get over for the last 20 years. This bizarre war marked the first and only defeat in the 200-year history of the United States of America. To many Americans, the war only ended on 11 July. The United States had been living through the Vietnam era, as President Bill Clinton put it, and during this era the United States was overwhelmed by the war and its worst affects.

This little explanation could help people understand that the current U.S. leader, who openly opposed the war, was not at ease while throwing off the burden that had accumulated heavily with pressure from all sides; speaking the last words about the war and opening a new chapter in relations with Vietnam.

The United States under President Clinton has undergone the most clear-cut changes to overcome a painful condition that has affected many generations of Americans. Under many interacting pressures, both domestic and international, to find an appropriate solution to the Vietnam affair that would serve U.S. interests, the leader of the Washington administration recognized that it was time to make a final decision.

After the announcement of the lifting of the trade embargo on 4 February 1994, the announcement of diplomatic recognition and normalization with Vietnam on 11 July was considered the most difficult and most important decision of Mr. Bill Clinton's term. This correct decision is not only in accordance with the interests of the peoples of the United States and Vietnam, but is also beneficial to peace, security, cooperation, and development for the Asia-Pacific region and the world.

It is not only because it left a special mark in U.S. history that observers consider Vietnam a sensitive point in U.S. foreign policy. People can see that the wording of the 11 July speech, which appears very simple, was

actually devised with much care in a way that reflects U.S. global strategy in the post-Cold War era. Behind these words, people can also see some features of a draft strategic calculation to capture in peace a victory it could not win in war.

The people of Vietnam, who are eager to close the past and get on with the future, welcome President Bill Clinton's decision to normalize relations with Vietnam, but we cannot agree with some points in his speech. The points in question, no matter how they are analyzed and even if presented in the finest words, offended the noble values and pride of the Vietnamese people. The U.S. President said: Whatever we may think about the political decisions of the Vietnam era, the brave Americans who fought and died there had noble motives. They fought for the freedom and independence of the Vietnamese people. Today the Vietnamese are independent, and we believe this will help extend the reach of freedom in Vietnam.

What noble motives? The U.S. Army fought for the freedom and independence of the Vietnamese people? As the U.S. President bluntly indicated the ideals that the United States aims for and upholds, it is now the Vietnamese people's turn to reaffirm their own ideals that are considered contemporary values and truths.

Over the past several decades, the Vietnamese people have endured immeasurable suffering and loss. Concentrating their utmost efforts and energy, the Vietnamese people carried out the war of resistance with the loftiest and most sacred objective of defending their fatherland's freedom and independence. Millions of Vietnamese wives and mothers lost their husbands, sons, and daughters in the war. More than anyone else, the Vietnamese people profoundly understand the dear price of national independence and freedom. It was this aspiration that created the driving force for the Vietnamese people to attain final victory.

The Vietnamese people's victory in the struggle for national independence and freedom has defined mankind's psychological concept of victory in the 20th century. It was the most heroic page in Vietnamese history; generations of Vietnamese should be proud of it forever. Millions of Vietnamese sacrificed their lives during the war to protect the fatherland's independence and freedom. They are resolutely striving to protect this sacred achievement during the current peace. This is the invaluable legacy that generations of Vietnamese are determined to protect.

During the past several years, the world situation has undergone dramatic changes with the collapse of socialism in the former Soviet Union and Eastern Europe. Against the background of this debacle, an earthshak-

ing political turning point, there were inevitably numerous adverse predictions for Vietnam. Many argued that Vietnam would not survive after its benefactor's collapse. Vietnam has not collapsed, however. Instead it has developed remarkably, thus shocking many curious political observers.

The initial yet very important achievements in Vietnam's renovation undertaking have once again made the country an outstanding symbol in daily international life. Many people correctly concluded that Vietnam could overcome its numerous difficulties in peacetime thanks to its strength and capability, tested and fostered during the struggle for national independence and freedom. A nation that fought valiantly and sacrificed greatly for independence and freedom would not easily give up its hard-earned achievements in peacetime.

The Vietnamese people have the right to self-determination and to set their own path. National independence and socialism is the path that led the Vietnamese through ordeals and difficulties, that brought about the current glorious Vietnam, and that won sympathy and broad support the world over. In his welcoming speech to Prime Minister Vo Van Kiet last June, the Icelandic prime minister said that Vietnam is an outstanding international symbol, both past and present, and part and parcel of modern world history.

Nevertheless, in his 11 July statement, the U.S. President said: I believe the normalization of relations and the increased contact between the American and Vietnamese peoples will help accelerate democracy in Vietnam, as in Eastern Europe and the former Soviet Union. People cannot help but understand that the U.S. leader wants to see the Vietnamese political system plunge onto a disastrous path like the countries in Eastern Europe and the former Soviet Union — a path that testified to the fact that it was not a solution to this dramatic change. Even Western observers admitted this.

It is a common perception in the international community that current relations among nations in the world should rely on the principles of equality, mutual interest, respect for each other's independence and sovereignty, and noninterference in each other's internal affairs. The new relations between the two independent and sovereign countries of Vietnam and the United States should absolutely be carried out on the basis of this principle.

Each nation has the right to choose its own political system in accordance with its people's aspirations. No one country, even the biggest and most powerful, can interfere in other countries in this regard. This has not only become the key political objective in the modern era, but also one of the fundamental foundations for

maintaining world stability in a diversified yet united environment.

This article is meant to stress that past events should be seriously considered as a useful lesson for the future.

General Secretary Do Muoi Tours Queensland

*BK0408073395 Hanoi VNA in English
0528 GMT 4 Aug 95*

[FBIS Transcribed Text] Hanoi VNA July 3 — Party General Secretary Do Muoi and his entourage, who is now on a week-long visit to Australia, this morning toured Queensland State, northeast of Australia.

Australian Prime Minister Paul Keating and Minister for Minerals and Energy Tony McGraly met General Secretary Do Muoi at Gladstone Airport and accompanied him to the Clinton coal mining area and the aluminium refining industrial estate under the Queensland Alumina Ltd (QAL) near Gladstone City.

A luncheon was given by the government of Queensland in honour of Mr. Do Muoi and his entourage.

Earlier on Wednesday Mr. Hong Ha, secretary and head of the External Relations Commission of the Communist Party of Vietnam Central Committee, had a working session in Melbourne with Mr. Michael Beahan, president of the Australia's Senate, who is also secretary and head of the External Relations Commission of the Labor Party.

The two sides informed each other of the situation in each country and party, and exchanged views on the establishment of the two leading parties relationship with a view to promoting the friendly and cooperative relations between the two governments and peoples.

Friendship, Cooperation With Romania Hailed

*BK0108161595 Hanoi NHAN DAN in Vietnamese
8 Jul 95 p 1, 3*

[Editorial from 8 July NHAN DAN: "The New Stage of Vietnam-Romania Friendship and Cooperation]

[FBIS Translated Text] Today, the Vietnamese people in Hanoi, representing people throughout the country, warmly welcome Romanian Prime Minister Nicolae Vacarois on an official friendship visit to Vietnam. This is the first visit to Vietnam by the top leader of Romania since a change of the country's political system in 1989. The visit will contribute to enhancing the relations of friendship and cooperation between the two countries in the new stage.

While welcoming Prime Minister Nicolae Vacarois and his entourage, we are very pleased to see the initial achievements recorded by the Romanian leadership and

people in the arduous struggle to fight economic recession and to ensure political stability. Undergoing many years of prolonged recession, Romanian economic growth has increased remarkably during the past three years. Relations between Romania and international financial organizations have been strengthened, thereby creating conditions for attracting more foreign investment and enhancing Romania's prestige in the international arena. This visit to Vietnam by Prime Minister Nicolae Vacarois is aimed at studying the possibilities of bilateral cooperation in the new stage on the basis of the existing traditional friendship and cooperation.

The fact that Vietnam and Romania officially established diplomatic relations in 1950 has created favorable conditions for the two countries to effectively strengthen friendship and multifaceted cooperation during the period before 1989. Romania had provided Vietnam with valuable support and assistance in its struggle for national defense and construction. Romania granted Vietnam a nonrefundable aid of 66 million leu, wrote off Vietnam's debt worth 25.5 million leu, helped train thousands of Vietnamese cadres, under- and post-graduate students, and skilled workers while providing Vietnam with long-term free interest loans.

After 1989, due to the political upheavals in Eastern Europe and in Romania, in particular, coupled with the dissolution of the CMEA [Council for Mutual Economic Assistance] Group in 1991, traditional relations between Vietnam and Romania were affected. However, during the past few years, friendship and cooperation between the two countries have positively developed. Vietnam and Romania signed agreements on economic cooperation, on encouraging and protecting investments, and on shipping cooperation, thereby creating a legal basis for promoting bilateral cooperation in the new stage. Activities of the Vietnam-Romania Governmental Committee for Economic and Scientific-Technological Cooperation have been restored.

While pursuing the open-door and diversified foreign policy, Vietnam and Romania have consistently attached importance to maintaining and developing traditional friendship and cooperation. This official visit to Vietnam by Prime Minister Nicolae Vacarois, together with the recent exchanges of visits by various delegations at various levels of the two countries, will contribute significantly to consolidating and developing bilateral relations, thereby opening up a new stage of friendship and cooperation between the two nations on the basis of equality and mutual interest.

We sincerely wish Prime Minister Nicolae Vacarois' official friendship visit to Vietnam a splendid success, thereby contributing to strengthening the relations of

friendship and cooperation between the two countries for peace, stability, cooperation, and development in the region and the rest of the world.

Singaporean Investments, Relations Reviewed

*BK0208163695 Hanoi Voice of Vietnam Network
in Vietnamese 0015 GMT 1 Aug 95*

[FBIS Translated Text] Compared to other countries in the region, Singapore was late in investing in Vietnam. Of the total number of foreign investment projects approved by Vietnam from 1988 to 1991, only 10 belong to Singapore. However, since 10 November 1991 when the Singapore Government officially lifted its investment ban on Vietnam, the number of Singapore investments has increased rapidly. Today, it has 104 projects in Vietnam with a total investment of almost \$1.4 billion. It now ranks fourth among the 52 countries and territories with investments in Vietnam and is the leading investor among ASEAN countries.

Singaporean businessmen prefer investing in joint ventures. As a result only seven percent of its investments in Vietnam are 100-percent owned, while the number of Singapore contractual and cooperative investments is less than seven percent.

Singaporean businessmen have investments in almost all sectors of the Vietnamese economy. They have investments in 29 industrial projects, one oil exploration and exploitation project in the Bon Chung Zone, 14 hotel building projects, and many projects in other sectors. One of Singapore's largest projects in Vietnam is the \$240-million Red River project. This is a 70-30 percent joint venture between Singapore's Antroco Company and the Hanoi Housing Development Company to build a residential area for foreigners and Vietnamese along the banks of the Red River. This project, which has a 45-year lease, was given a license on 29 November 1994 and is now in progress.

Many other Singaporean projects are developing satisfactorily. The Song Be Golf Center project with an investment of more than \$28 million is almost completed now after two year's construction. An 18-hole, 104-hectares golf course has opened, thus providing a first-class sports and recreation facilities in Vietnam.

The \$49.5-million Heineken brewery is a Singapore manufacturing joint venture, with its beer having been distributed nationwide.

Generally, all Singaporean projects in Vietnam are developing satisfactorily. So far, only six Singaporean projects, mostly small establishments, have had their licenses revoked. This accounts for only 6 percent of the total number of licensed projects.

Currently, 60 Singaporean projects worth \$180 million are in progress. During the first six months this year, 24 licenses with a total registered capital of almost \$300 million were granted to Singaporean projects. For the second half of this year, Singapore is to make 10 additional investments worth almost \$1 billion. Noteworthy is the construction of the Ben Dinh-Sao Mai Port in Ba Ria-Vung Tau Province with a registered capital of \$600 million, the largest Singaporean project in Vietnam so far.

Although two-way trade between Singapore and Vietnam is still modest, it rose by 26 percent to reach \$1.9 billion, compared to 1993. In the first quarter this year, the value of two-way trade hit almost \$600 million, so prospects are for a bright 1995.

Vietnam exports to Singapore goods such as crude oil and maritime and agricultural products and imports petroleum, machinery, and electronic items.

Diplomacy plays a role as a driving force for other relations. Worthy of note was the visit to Singapore by General Secretary Do Muoi in October 1993 and the visit to Vietnam by Singaporean Prime Minister Goh Chok Tong in March 1994. The man who has greatly contributed to the development of bilateral ties is Senior Minister Lee Kuan Yew. He has visited Vietnam three times and provided sincere, valuable advice to help improve Vietnam manage its economy.

Both Vietnam and Singapore are now ASEAN member countries. Their relations have entered a new stage of development, thus benefiting the two countries, the region, and the world.

Inflation Rate Said 'Under Control' in Jul

*BK0408074995 Hanoi VNA in English
0608 GMT 4 Aug 95*

[FBIS Transcribed Text] Hanoi VNA August 4 — Vietnam's inflation rate has been kept stable, indicating no rise on goods and services prices in July last over the previous month. In the first half of the year, its inflation rate stood at 1.8 percent per month on average, raising a half-year rate to 11.4 percent.

This positive development has been attributed to the efforts to carry out the government's drastic measures to keep the national inflation rate under control in the second half of this year.

Last July, prices for cereal and food and building materials reduced remarkably compared with some months earlier. The price for food dropped by 2.6 percent nationwide while that of construction materials was brought down by 2.3 percent.

The price fall resulted from a big harvest of the last winter-spring rice crop in the north with a total output of 4.4 million tonnes and a high yield of the Mekong Delta's summer-autumn rice crop, 30 per cent of the cultivated area being harvested across the delta, the largest rice producer or 'rice basket' of Vietnam so far.

The cement price, which rose to a 'cement fever' in May last in the whole country, has reduced to about one thousand dong (VND) per kilo at present, or about 30-50 VND lower than the level of June or about 700 VND per kilo during the fever.

Also last month, prices of consumer goods such as garments, cultural and educational items and services showed a little rise (from 1-1.1 percent) due to domestic increasing demand.

The same month, Vietnam exported about 110,000 tonnes of rice, bringing the total export of rice in the first seven months of the year to 1,325,000 tonnes.

Australia**France To Protest 'Discriminatory Practices'**

*BK0408032695 Melbourne Radio Australia
in English 0100 GMT 4 Aug 95*

[FBIS Transcribed Text] France says it will seek international help to stop alleged discriminatory practices by the Australian Government in an escalation of the row over French plans to resume nuclear testing in the South Pacific.

France says it will complain to the United Nations and World Trade Organization and has threatened to stop imports of Australian uranium and coal as part of a series of retaliatory measures against Canberra. The move follows Canberra's decision to bar a French company from a lucrative defense contract, which in turn prompted France to withdraw its ambassador to Australia. However, Australia's trade minister, Bob McMullan, says he does not believe France will carry through its threat to halt purchases of coal and uranium.

[Begin McMullan] I think it is unlikely that the French Government will be in the business of breaking contracts because there is a body of law in France, as in Australia, which would enable those contracts to be enforced.

We always have to consider that there is a possibility that if we do precipitate things in expressing our protest at the French tests, it could damage the interests of Australia and Australian workers, and we have always said that it is not our intention to act to make our impact on the French in such a way that it costs Australians their jobs or damaged Australian interests. [end recording]

Mr. McMullan said the French announcement is a clear indication that Australian action is hurting France and Paris sees Canberra as taking a lead in the international protests against resumption of nuclear tests in the South Pacific.

Evans Criticizes French Retaliation Proposals

*LD0408121595 Melbourne Radio Australia
in English 0700 GMT 4 Aug 95*

[FBIS Transcribed Text] Australia's Foreign Minister Gareth Evans has criticized French proposals to retaliate against Australia over the nuclear testing issue. Paris has been angered by Canberra's decision to exclude a French company from a big defense contract. Senator Evans says the French moves are a conspicuous over-reaction. Graeham World has the details:

[World] France is proposing to review purchase contracts for Australia coal. Senator Evans says that could lead Australian companies to take legal action. The

French are also willing to stop buying uranium if the Australian Government makes such a request, but the government won't be doing that. If it did, it would face big compensation claims. And the French could then buy uranium at lower prices on the stock market. Senator Evans says Australia's protests are hitting the mark, but he says the tests could start soon.

[Begin Evans recording] I wouldn't be at all surprised if it was as early as next week. I think they'll have the sensitivity to wait until Hiroshima Day is over, but beyond that I wouldn't bank on it. [end recording]

Consumer Boycott Spurs Sale of French Company

*BK0408065995 Hong Kong AFP in English
0557 GMT 4 Aug 95*

[FBIS Transcribed Text] Sydney, Aug 4 (AFP) — A consumer boycott of French products because of nuclear testing in the South Pacific has forced the sale of Australian pest control company Flick by its French-based owners, the company said Friday.

Flick senior manager Peter Meadows said the move was prompted by management concerns that a negative consumer reaction would threaten business and the company's 350 staff.

"We contacted our French principals and asked them to take immediate and urgent action," he said.

"They have done so and Flick will cease to be a French-owned organisation and, in fact, will be owned by a group of Dutch financiers."

Meadows said business had been affected since the French decision to resume nuclear testing and Flick's French owner, Eurogestion, had made the decision to sell to protect its investment and the company.

"This is an extremely competitive industry and Flick must compete on quality of service, environmental sensitivity and price," he said.

"It cannot afford to be disadvantaged in the market by its French ownership."

The sale was expected to be finalised by the end of August.

Minister Rejects 'White Race of Asia' Label

*LD0308144495 Melbourne Radio Australia
in English 0900 GMT 3 Aug*

[FBIS Transcribed Text] Australia's place in Asia has been debated during the closing stages of the ASEAN meeting. The Australian Foreign Minister Gareth Evans, took offense at a description of Australians as the white race of Asia. Christopher Kremmer reports:

[Kremmer] At the closing news conference Malaysian Foreign Minister, Badawi Abdullah, declared bluntly that Australia was not part of Asia. An Indonesian journalist noted that Australia's culture was basically European — the white race of Asia, she called it — but Senator Evans took issue.

[Begin Evans recording] The reference to Australia as the white race of the south I find a little disconcerting. [end recording]

[Kremmer] Senator Evans went on to say the white race term was crude and out of date. He said Australia's trade, investment, and defense ties were becoming ever more important with Asia and said there was now a widespread acceptance of the degree to which Australia had become integrated in the region.

Commentary on Economic Ties With New Zealand

BK0108043195 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 25 Jul 95 p 14

[Commentary by Peter Lloyd]

[FBIS Transcribed Text] The Closer Economic Relations Agreement (CER) between Australia and New Zealand [NZ] is at a turning point. Is the agreement basically about free trade or does it seek to promote further integration of the two economies? And how does CER relate to other regional agreements, particularly the ASEAN Free Trade Area and the Asia-Pacific Economic Co-operation forum?

The agreement provides for the two countries to seek harmonisation of standards, technical specifications and testing procedures, domestic labelling and restrictive trade practices. NZ's competition policy is now based substantially on the Australian Trade Practices Act. Changes to the Australian Trade Practices Act and the NZ Commerce Act prohibit those with a dominant position in the market of either country from using that position to affect adversely either market, though the tests of market dominance and the coverage of the acts differ.

The agreement contains no significant provisions relating to the free movement of labour or capital. A separate agreement known as the Trans-Tasman Travel Arrangements guarantees free movement of citizens and residents. Intra-area labour mobility has facilitated the reallocation of resources that accompanies the freeing of trade, leading to more efficient production in both countries and a larger aggregate area product. The arrangement also provided the foundation of the provision for national treatment of service providers in the Protocol on Trade in Services.

But progress in extending the agreement has slowed. The 1992 review resulted only in amendments relating to the rules of origin, industry assistance and technical barriers to trade. The Double Taxation Agreement does not include dividend imputation credits for business taxes. On trans-Tasman shipping, the two governments say they do not support the maritime union accord and are satisfied that the relevant Australian and NZ legislation provides appropriate legal remedies if industrial action is taken in support of the accord. This is a feeble outcome compared with the straightforward option of banning the accord as a practice that restricts service providers, and is inconsistent with the move towards free trade in services in the CER and the General Agreement on Trade in Services that was concluded in the Uruguay Round.

The Memorandum of Understanding on Air Services, signed in August 1992, was to establish a single aviation market covering the two countries from November 1994. But in the week before the single market was to begin, the Australian Government announced it would not permit Air New Zealand to operate domestic services in Australia, ostensibly because NZ was not prepared to consolidate the airlines within a single market by merging Air New Zealand with Ansett.

The NZ Prime Minister countered that the Australian Government had acted to protect the value of the 1995 Qantas share float. A single aviation market within the area has not been achieved. Air New Zealand has warned that it may consider legal action to gain the right to fly domestic routes within Australia.

The truth is that the NZ Government is more reformist than the Australian Government in both micro-economic and macro-economic policies. The NZ economy is more open than Australia's in terms of the conventional ratio of the value of exports and imports of goods and services to GNP, and the proportion of its exports going to the trans-Tasman partner (20 per cent in 1994) is much higher than that for Australia (6 per cent). Consequently, it believes that it has more to gain from the greater integration of the economics.

Remaining trans-Tasman barriers should be removed as they reduce competition and prevent primary factors from being allocated to the industries and locations where they have the highest marginal productivity. They also prevent the full benefits of the liberalisation of trans-Tasman trade in goods and services from being realised.

In civil aviation, the problem is how to increase the efficiency of airline operations in Australia and New Zealand so that the airlines may be more competitive

on routes beyond the area while not reducing (but preferably increasing) competition within the area.

How does CER relate to trade policies in the rest of the world economy? One important possibility is a link between CER and AFTA [ASEAN Free Trade Area]. Both Australia and NZ put primary emphasis in trade policy on relations with Asia and the Pacific. If the APEC [Asia-Pacific Economic Cooperation] free-trade proposal does not proceed, an AFTA-CER link would become much more important since it could give Australia and NZ improved and guaranteed market access to South-East Asia. It would also give Australia and NZ and ASEAN a greater say in the evolution of the world trading system.

Preliminary talks on an AFTA-CER link are to be limited to APEC-style trade facilitation rather than trade liberalisation. (Trade facilitation covers areas such as customs, procedures, visa-free business travel, and industrial standards.) The greater gains, however, will come from trade liberalisation in the long run. A simple accession of CER to AFTA or of AFTA to CER is not likely to be acceptable to either group of countries. Instead, the link would probably take the form of a supplementary agreement between the two arrangements.

Differences between the tariff structures of Australia and NZ on the one hand and some of the ASEAN countries on the other would pose some difficulties. But, such differences have not prevented the ASEAN countries from substantially freeing trade in manufactures, unilaterally and regionally.

Difficulties will arise with non-tariff border barriers. Negotiation of processed agricultural products and raw materials will also be difficult as these areas are still excluded from the trade liberalisation within AFTA.

In these areas of trade policy, Australian and NZ unilateral tariff reform provides a valuable pointer to how trade with Asia might be liberalised.

Papua New Guinea Governments Criticized

BK0108023395 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 20 Jul 95 p 16

[Commentary by Rowan Callick: "PNG Demonstrators Target The Wrong Hidden Agenda"]

[FBIS Transcribed Text] Papua New Guinea [PNG] governments have been stuffing up for a decade or more. That's no secret. There are quotes galore from prime ministers admitting as much.

Poignantly and powerfully, Sir Michael Somare, the father of PNG's nationhood 20 years ago, said last

month: "Papua New Guineans are worse off now than they were at the time of our independence."

It reached the point this year where the nation's leaders called on foreigners to put their savings at risk to let them off the hook.

The World Bank, the IMF, Japan and Australia heard the plea and devised, in constant dialogue with PNG officials, a rescue plan.

This involves redirecting returns from its bountiful resources towards development, especially in rural areas where 85 per cent of the population lives, and away from the Port Moresby elite.

So what happens? Just as the structural adjustment program is about to be concluded, the Commerce and Industry Minister, David Mai — until, finally being returned to his box yesterday by the Prime Minister, Sir Julius Chan — embarks on a bitter campaign against the would-be rescuers.

And thousands of students and others, mostly victims of the present depressed state of the economy, burn cars and demonstrate outside Parliament against the World Bank claiming that the bank among other evil plots proposes to rob them of their land, and other hidden agendas.

Does this make sense? Of course not. On the surface too little in PNG does.

But there are explanations. There are hidden agendas and plotters all right, but they are not those being targeted today by the demonstrators.

The mood in Port Moresby has become confrontational. The key question asked on almost every issue is not, "Are you right?" but "Whose side are you on?"

The Finance Minister, Chris Haiveta, sent a letter to Senator Evans last week complaining, by name, about a manager of the Export Finance and Insurance Corporation [EFIC] who had the temerity to tell a PNG newspaper about the country's current EFIC rating (the lowest, D).

Haiveta described this as "adverse publicity being generated against a friendly foreign neighbour by an instrument of the Australian Department of Foreign Affairs". As if EFIC had fired off a missile rather than merely told the unpalatable truth.

On Tuesday, Mai issued a 15-page diatribe against the structural adjustment program, claiming it would have "serious negative financial implications to the economy in the long term". He claimed that the conditions being "imposed" — PNG is free to accept them or not and

has already renegotiated many, including retaining the notorious MPs' "slush fund" — would "undermine PNG sovereignty".

What Mai is most worried about seems to be losing his power to approve or deny the registration of foreign operators in manufacturing and construction, part of the thrust to refocus PNG's failed industry policy toward attracting investment in export industries — and so creating jobs the young have been seeking in vain.

It is the highly protected new industries — fish and cement packaging, for instance — that Mai trumpets, that are doing most to make life harder for ordinary people, doubling the cost of a staple, tinned mackerel, and adding 50 per cent to the cost of cement, crippling the already troubled construction sector.

Oddly and self-destructively, members of the Cabinet have been sniping at the World Bank, the IMF and Australia since talks began to bolster PNG's foreign reserves — instead of educating the public on the need for reforms.

Too often, PNG's leaders have sent out contradictory messages aimed merely at soothing whichever audience they happen to be addressing. The front-page headline of THE NATIONAL newspaper on December 22 read: "We'll be flush with cash next year: PM". Papua New Guineans might be forgiven for asking where the cash is now; and foreign institutions are the readiest target to blame.

Tensions have been exacerbated by the aggressive disinformation program conducted by PNG's tiny, unrepresentative, Moresby-based non-government organisations [NGO].

The tone for this program, which culminated in this week's demonstration, was set by Australia's environmental sweetheart, Canada's David Suzuki. On a flying visit, this instant expert said the World Bank and IMF could be blamed for PNG's economic turmoil. They "forced down the throats" of developing countries inappropriate strategies.

He described mining as a "criminal act". Miners, he said, "take all the money offshore". In PNG, of course — if Suzuki had disturbed his TV posture enough to examine the facts — he would have found that most of the country's revenue comes from mining. And that virtually all the infrastructure — roads, schools, clinics — in the areas around mines, are built by the miners.

Further, it is the World Bank that has done most to pressure PNG governments to adopt a sustainable development strategy for its rainforests — the battle for which, is the environmental issue of the South Pacific, putting Mururoa in the shade.

The struggle to adopt and implement sound policies in PNG is now compounded by the emergence of the NGO lobby with strong links into the university, whose vice-chancellor has been sacked for corruption and which has grown so anarchic that it has a permanent armed police presence.

This lobby, tutored by Australian counterparts, has adopted the old '70s line that the World Bank and IMF, as prime agents of capitalism, are public enemy No 1.

A paranoid web connected a six-year old, delayed World Bank-sponsored project to register land — held 97 per cent traditionally — with the structural adjustment program, and on to the bank taking over the land, or at least encouraging the Government to tax it (not a bad idea, by the way).

Thus this week PNG again saw the burning of cars on campus. Out of it all, a political career or two will be made (the election is less than two years off).

Next time the rioters should target the Australian High Commission. A new one is being built, if Mai releases the cement he has impounded, and it won't be easy to sell the present one. Razing it will at least realise the insurance.

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